

**ENYINNA CHUTA  
AND CARL LIEDHOLM**

**EMPLOYMENT  
AND GROWTH  
IN  
SMALL-SCALE  
INDUSTRY**

**THE MACMILLAN SERIES OF ILO STUDIES**

# EMPLOYMENT AND GROWTH IN SMALL-SCALE INDUSTRY

*Empirical Evidence and Policy Assessment  
from Sierra Leone*

Enyinna Chuta  
and  
Carl Liedholm

*A study prepared for the International Labour Office  
within the framework of the World Employment  
Programme*

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# Foreword

Agricultural sectors in developing countries cannot absorb the rapidly growing rural labour force. Neither can their modern urban sectors contribute significantly to employment generation. It is this recognition that has brought to the fore the need to promote rural non-farm employment opportunities within the framework of national development strategies. In spite of the growing plethora of literature on rural industrialisation, however, not much is known about the employment and income potential of non-farm activities.

The present book by Dr Enyinna Chuta and Professor Carl Liedholm on small-scale industry in Sierra Leone is one of the few examples of a systematic analysis of growth potential of rural small-scale activities. The analysis is undertaken for two points in time, 1974-5 and 1980, thus enabling an examination of income and employment growth over time. The study concludes that the small-scale activities are not only labour-intensive but they also generate respectable rates of profits. It further suggests that the scope for employment promotion through rural small industries cannot be tapped effectively unless relevant policies are suitably modified to take into account potential conflicts between large-scale and small-scale and urban and rural industries.

The study was undertaken as part of research on rural industrialisation and related non-farm activities within the framework of the ILO World Employment Programme. In the past the ILO has sponsored undertaken cross-country studies in the field of rural industrialisation, and appropriate technologies. It is also engaged in providing technical advisory services to member governments on request, and implementing technical co-operation projects in the promotion of rural and urban small-scale industries. An individual country case-study such as this one on Sierra Leone adds depth to the existing cross-country knowledge base, thus highlighting methodological and policy issues that may be relevant to other developing countries interested in promoting rural small industry as an instrument of employment policy.

The bulk of the field work for this case-study was financed by the United States Agency for International Development (USAID) through Michigan State University, with which Professor Carl Liedholm is associated. The second field survey and writing up of several chapters of the book were undertaken by Dr Enyinna Chuta, on behalf of the ILO when he was a staff member of the Technology and Employment Branch.

The ILO would like to express its gratitude to the USAID and Michigan State University for their collaboration in the study.

A. S. BHALLA

*Chief*

*Technology and Employment Branch*

# Preface

This book reports on the findings of a comprehensive study of small-scale industry in Sierra Leone. Three features of the book may be highlighted at the outset. First, it provides the first detailed picture of the entire spectrum of small-scale industries in Sierra Leone, including those located in rural areas. In view of the wide recognition<sup>1</sup> of the inadequate knowledge base to buttress small-scale industry programmes in most developing countries, this book helps fill an important information gap. Second, the book describes the rather unique survey methodology that was employed to generate the data from the small enterprises, the majority of which kept no books or records.<sup>2</sup> That methodology included the use of repeated (twice-weekly) interviews of a panel of entrepreneurs over a full-year period. Third, by also undertaking a review of Sierra Leone policies and programmes for promoting small industry and handicrafts, the volume seeks to highlight the important link between empirical information and its use in the design and implementation of policies, programmes and projects.

It is envisaged that this book may be of value to policy-makers, planners, financial institutions, researchers, aid donors, international agencies, voluntary organisations and local institutions involved in promoting small-scale enterprises and handicrafts. It may also prove to be a useful complement to existing studies of small-scale industry in Nigeria and Ghana in the West African region<sup>3</sup> and may also be of assistance to those planning similar studies in other Third World countries where information on small-scale industry is deficient.

The research on which the Sierra Leone study is based was mostly financed by the US Agency for International Development contracts with Michigan State University (AID/csd 3625 and AID/ta-CA-2, and DAN-1090-A-00-2087-0). The assistance of Dr Cliff Barton and Dr Michael Farbman is particularly deserving of mention. The various surveys were undertaken in collaboration with Njala University College of the University of Sierra Leone. Both authors were resident in Sierra Leone during the major survey period of 1974 to 1975

as well as during the summer of 1980 when a follow-up survey was undertaken. This second survey was jointly financed by the ILO and the Development Support Bureau, AID, Washington, DC.

We are grateful to the Government of Sierra Leone for approving and patronising the small-scale industry surveys. The unflinching support received from Mr. M.A. Tunis, Head of the Small-Scale Industry Division, Ministry of Trade and Industry, was invaluable. We are also grateful to Dr. S. Maturi and Professor J. Kamara, former and present principals of Njala University College during the 1974-5 and 1980 surveys respectively, for approving the research collaboration between Njala University College and Michigan State University. The direction and support offered by Dr. Dunstan Spencer, leader of the Michigan State University research team at Njala in 1974-5 are gratefully acknowledged. Needless to mention, we appreciated all the useful suggestions and assistance offered by other team members such as Professor Derek Byerlee (now of the CIMMYT Mexico), Messrs. Ibi May-Parker (now at the Bank of Sierra Leone), James Kamara and Ola Robert. The surveys would have been impossible without the hard work and devotion of our entire field staff (enumerators, supervisors and drivers), the co-operation of respondents and the support of local chiefs and elders. We are grateful to all of them.

In the final revision of manuscript we have benefited from the incisive comments of Ajit Bhalla, S.V. Sethuraman, Susumu Watanabe, Frank Lisk, Ghazi M. Faroog and Lowell Taylor.

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CARL LIEDHOLM



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# 1 Introduction

Rapid industrialisation has for several decades been regarded as an attractive and effective strategy for transforming developing economies and maximising their rates of economic growth. Indeed, many developing countries began in the early 1950s to launch industrialisation drives based generally on an import-substitution strategy, which usually resulted in the establishment of large-scale capital-intensive industries in urban areas. In recent years, however, it has become apparent that this strategy has often produced disappointing results. In a number of developing countries not only has the over-all rate of growth of the economy been low but employment in the industrial sector has failed to keep pace with population growth and in some cases even declined in absolute terms.<sup>1</sup> The poor employment performance has been the cause of particular concern because employment generation has recently become an independent policy goal for many countries.<sup>2</sup>

Many developing countries have consequently become increasingly aware of and interested in assessing the role that small-scale establishments might play in their industrialisation strategies. If, for example, small-scale industrial establishments are more labour intensive, more widely dispersed, generate more output per unit of capital, require less foreign exchange, and produce a higher 'economic' profit than their large-scale counterparts, then strong economic justification would exist for promoting small-scale firms.

Sierra Leone's experience with industrialisation has been similar to that of other developing countries. After independence in 1961, Sierra Leone followed an import-substitution strategy in which policies were designed to encourage the expansion of large-scale urban-based firms. The results of this policy proved to be disappointing. The manufacturing sector grew at a real annual rate of only 2.8 per cent from 1965-6 to 1971-2, while during the same period the number of individuals employed in 'large-scale' manufacturing firms actually declined at a compound annual rate of 3.5 per cent.<sup>3</sup> Moreover, by 1971 unemployment in urban areas had grown to almost 14