

Beyond Informality: The Importance of Residential-Based Businesses

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Beyond Informality?

Informal businesses central to research & policy making in LMICs

(Beegle and Joubert, 2025; La Porta and Shleifer, 2008, 2014; Ohnsorge and Yu, 2022; Ulyssea, 2018)

Formal enterprises include those registered with government and/or tax authority

Informal enterprises include those un-registered with government or tax authority

In addition to variation in government or tax authority registration, businesses also vary in their **structure type**.

Some operate within **non-residential** structures outside of the household, while some operate in **residential** structures as household-based businesses.

Non-residential business structure



Residential household-based structure



The Data Gap

Non-residential business structures \Rightarrow most commonly included in widely used enterprise data (WBES Regular, WBES Micro, WBES Informal, Censuses)

Residential structure household-based (informal) businesses are **rarely included** in institutional enterprise data collection efforts.¹

La Porta and Shleifer (2008) use the WBES and acknowledge the presence of “hidden firms” say “all these measures of the informal economy are, if anything, likely to understate its true size.”

Key question \Rightarrow What share of the informal economy operates out of **residential** structure businesses (as apposed to **non-residential** structure businesses) ?

¹Notable exceptions are the ENAMIN data in Mexico and the 2023 Ghanaian Integrated Business and Economic Census. Also findable in some nationally representative household surveys with necessary modules & indicators.

The Analysis Gap

Even when included, informal **residential** structure businesses are also not traditionally delineated in the informality literature. Seminal examples that (likely) include all (but do not delineate by) structure types:

1. Ulyssea (2018) uses the National Household Survey (PNAD) of Brazil
2. Beegle and Joubert (2025) primarily uses the Integrated Regional Survey on Employment and the Informal Sector (ERI-ESI), which has a household survey sampling structure
3. Ohnsorge and Yu (2022) leverages multiple data sources including the World Bank's Living Standards Measurement Surveys

Key question ⇒ What characteristics of informal **residential** structure businesses (compared to informal **non-residential** structure businesses) are different ?

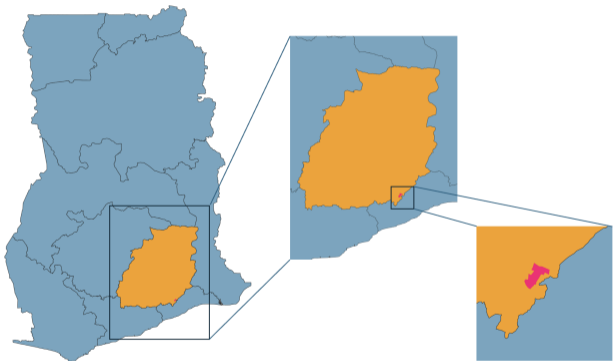
This Project

We pilot an **inclusive** enterprise listing strategy that identifies and delineates between not only formal and informal non-residential structure businesses but also **residential** structure household-based enterprises.

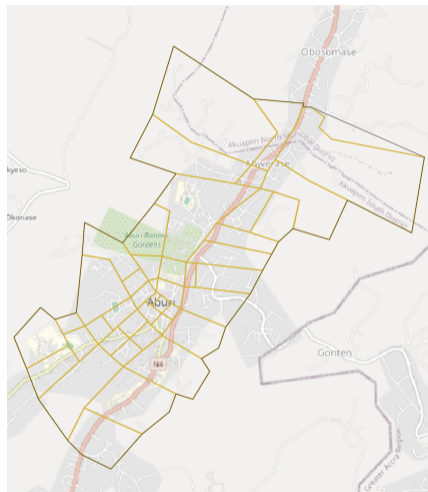
Preview of preliminary findings ⇒ **informal residential** businesses:

1. Are the most common type of fixed structure businesses (39%)
2. Produce similar shares of sales, profits and total wage bill as informal non-residential businesses
3. Are **persistent** with 3/4 surviving and almost none switching structure type in our two year followup
4. are **distinctly different** (in comparison to informal non-residential businesses) on a myriad of owner & business characteristics!

Location of Aburi and Zone Delineation



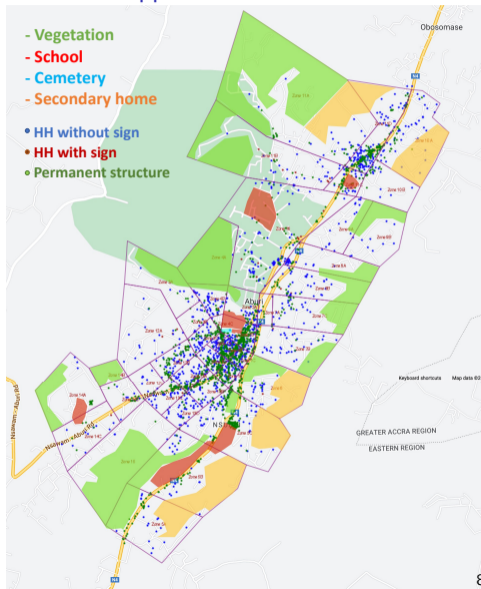
Ghana ⇒ Eastern Region ⇒ Aburi



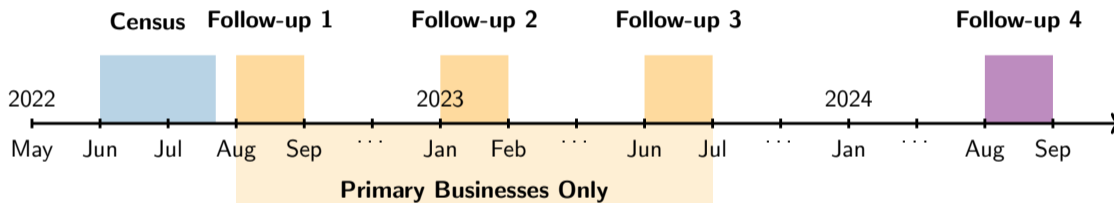
⇒ Split into 43 enumeration zones

Systematic Sampling Method ⇒ Canvased Each Zone & Approached

- Every physical business & household with a sign for business: *“Was this business operational in May of 2022 and expected to operate in at least one of the next six months?”*
- Every fifth household: *“In May 2022, did any household member own a business that is anticipated to operate for at least one of the next six months that does not have a permanent physical structure outside of this household? By this, I mean businesses which operate entirely within the household or are mobile.”*



Timeline for Data Collection



- Census: 1501 firms (2,369 implied) and 1415 owners (2,211 implied)
- 209 mobile firms (1,045 implied) listed but excluded from today's analysis

What Data Collected & When?

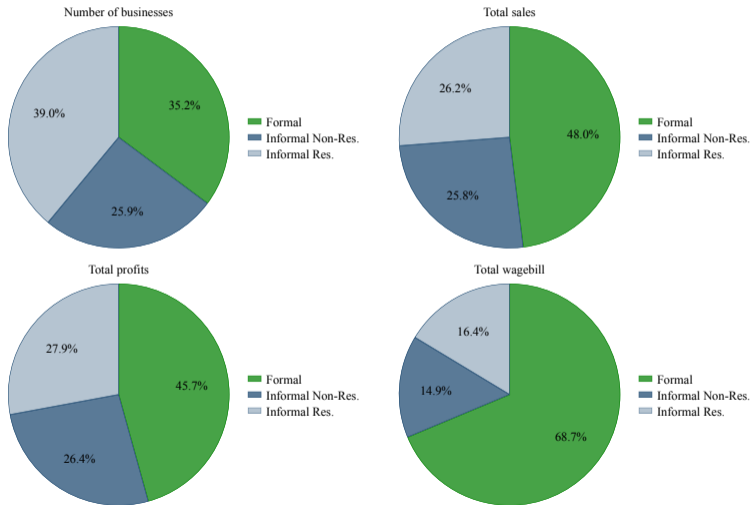
From Census:

- We collected firm- and owner-level information regarding May 2022, including many firm characteristics, owner characteristics, and owner household characteristics.
- Very low levels of co-ownership [▶ Firm Co-Ownership](#)

From Follow-up 4:

- For primary firms, we captured operational status, business performance, customer information, care work
- For non-primary firms, we collected only operational status, structure type, and basic firm outcomes.
- Extensive effort to reduce attrition, reduced to $\sim 1\%$ on operational status

Share of Businesses by Formality & Structure in Aburi

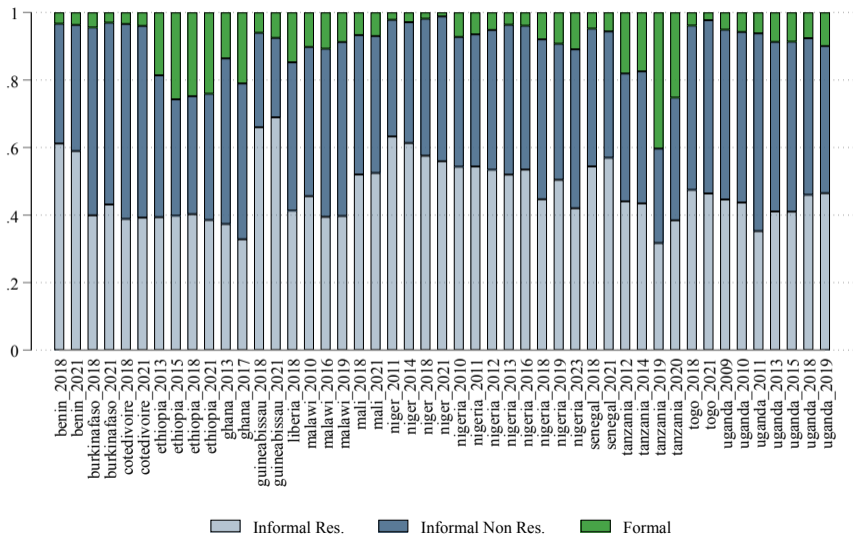


Is Aburi Unique in This Finding?

Consider an alternative data source:

1. Household Surveys with a non-farm business module in Sub-Saharan Africa
 - Household sampling
 - Asks if any member of the household owns a business. Get information on:
 - Formality status of business
 - Location of business

LSMS: Share of Businesses by Formality & Structure in Africa



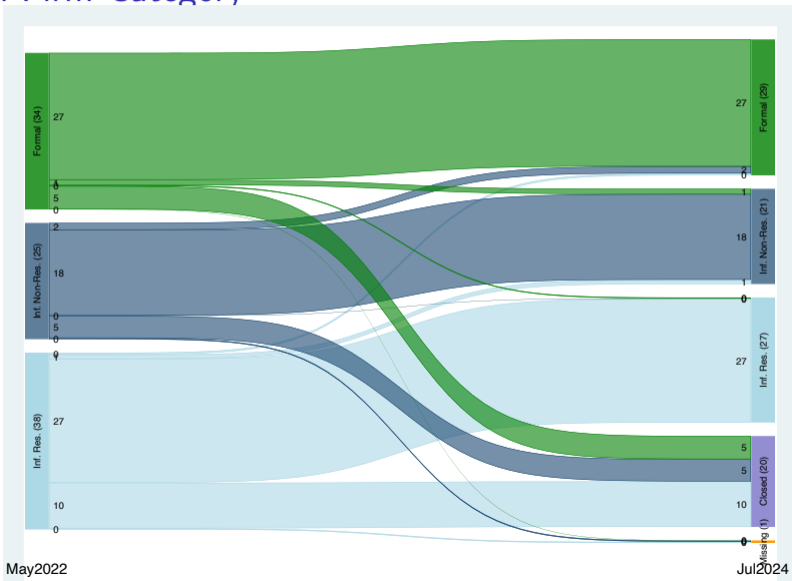
Dynamics over Two Years

Key Questions:

- Is informality as transitory as some literature suggests?
(La Porta & Shleifer 2014; Ulyssea 2018)
- How does persistence differ across structure types within informality?

Analysis: We examine the persistence of **informal residential** firms compared to informal non-residential firms and formal firms over a two-year period.

Dynamics in Firm Category



How different?

We examine differences across our main analysis groups along the following observable groupings:

- Firm industries
- Firm inputs, outputs, & size
- Firm productivity
- Owner personal characteristics
- Owner household characteristics
- Firm financial Inclusion
- Reason owners do not want to work for another firm

Key Take-aways

1. **Informal Residential structure businesses** represent a **meaningful share** of economic activities (relative to non-residential structure businesses) and are **far from temporary** (> 7 years old & > 70% survival rate)!

2. Important nuance *within* the *informal enterprise* category:

Informal residential businesses are **distinctly different** (in comparison to informal non-residential businesses) and formal businesses:

2.1 are **smaller** in size, inputs, and outputs.

2.2 have **more marginalized** owners. (↑ female; ↓ education; ↓ household income per capita; ↑ num. kids)

2.3 less likely to be financially included (↓ savings; ↓ use mobile money)

2.4 are **more necessity entrepreneur** owned. (reasons ↑ “no job”)

Discussion

- **Informal residential** businesses are crucial to include in enterprise data collection efforts and analysis
- **Informal residential** businesses are not worse businesses, but different businesses

Future directions for research:

- Understand what non-monetary benefits are accruing to firm owners of residential vs. non-residential businesses
- Better understand preferences for formality status and residential vs. non-residential status

Thank you!

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(Current) Co-ownership Analysis Choices [▶ back](#)

9 firms (all non-resident structure businesses), or 0.26% of all firms (3414 after weighting), have 2 co-owners. Preliminary analysis decision:

- All owners included in owner-level analysis
- Only one (randomly selected) co-owner's response kept in firm-level analysis

Firm ID	Kept			Dropped		
	Gender	Formal	Sales (GHC)	Gender	Formal	Sales (GHC)
1	Female	Y	7,200	Male	Y	7,200
2	Female	N	1,000	Female	Y	1,000
3	Male	N	3,000	Female	N	3,000
4	Female	Y	2,400	Female	Y	2,400
5	Female	Y	2,000	Male	Y	2,800
6	Male	Y	1,200	Male	Y	1,000
7	Male	Y	700	Female	Y	450
8	Female	N	500	Female	N	500
9	Male	N	1500	Male	N	1500