

Informal Economy as a Source of Livelihood in Zimbabwean Urban Areas: The Case of Bulawayo Metropolitan Province

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Abstract: One of the major development concerns in recent years, particularly in sub-Saharan African countries, has been the rapid growth of urban population coupled with low industrial growth. This mismatch has led to high unemployment levels as most companies have either scaled down or completely shut down. High poverty levels have intensified in urban areas and this has facilitated the mushrooming of the informal economy such as vending, operating tuck-shops and various micro enterprises as an adaptation strategy to failing economies. This study took a micro-level approach by exploring the role of the informal economy as a source livelihood in the city of Bulawayo. The study used qualitative methodology in the gathering and analysis of data. Data collection was done using the interview method. Purposive sampling was used to select twenty participants both male and female who are registered with the local authority. Information was also collected using document analysis and review of relevant literature on current debates on the role of the informal economy as a source of livelihood for the urban poor. The research showed that the informal economy plays a vital role as a livelihood strategy by employment creation for the unemployed and the retrenched labour force. It is a source of livelihood as the majority of the participants indicated that they can afford basic food stuffs and services. It is recommended that the central government and local authorities should provide an enabling environment for the development of the informal economy as it is shown that currently it is the highest employer of the labour force, particularly in Bulawayo.

INTRODUCTION

Two key studies that examined the evolution of the informal economy during the first decade of independence namely, the ILO/SATEP study of 1985 and the Gemini study of 1991 reveal that the share of informal economy employment grew from less than 10% of the labour force in 1982 to 20% by 1986/87 and 27% by 1991 (Kanyenze et al, 2003). Economic slump intensified in 1998 and reached its peak towards the end of 2007 as a result of the adoption of Economic Structural Adjustment Programmes (ESAPs) under the guidance of the international financial institutions. This resulted in many thousands of formal sector workers, mainly civil servants and workers in state-owned enterprises, being retrenched and rendered unemployed (International Labour Organization, 2004). The failure of ESAP to shift the economy onto a superior and sustainable growth path, and especially its underperformance in terms of employment creation left a legacy of poverty and marginalization (Kanyenze et al, 2003). The other factors that led to economic meltdown are targeted sanctions imposed on Zimbabwe due to the fast track land reform and successive droughts. The period between 1998 and 2008 has been referred to as the lost decade by some scholars. Poverty levels intensified in urban areas and this facilitated the mushrooming of the informal economy such as vending, operating tuck-shops and various micro enterprises. What this implies is that economic downturns are associated with the growth of informal economy and vice versa (Kanyenze et al, 2003).

Economic revival in Zimbabwe, especially in Bulawayo, is taking place at a very slow rate. It is estimated that more than 20 000 people have been pushed out of employment after nearly 100 companies either scaled down or completely shut down in Bulawayo over the last few years (Masvora, 2013). According to Kasanzu and Chiutsi (2013) at least 22 milling companies in Bulawayo

have temporarily closed as they are being pushed out of business by cheap imports that are flooding the country from neighbouring South Africa and Botswana, for example, National Foods is now operating four days per week. This is a result of the influx of mealie-meal from South Africa and Botswana into the country especially Bulawayo largely due to its proximity to the two neighbouring countries. According to the Confederation of Zimbabwe Industries (CZI) manufacturing survey released in September 2013, imports increased by about 18,8 percent from January to July compared to the same period in 2012 and exports fell by 3,4 percent between January and July 2013 compared to 2012 (Kasanzu and Chiutsi, 2013).

De-industrialisation in the city has forced many people into the informal economy since the informal economy tends to be driven by unemployment and retrenchment. Almost everyone is trying to get money from setting up some small business to fill the gap that was created by massive de-industrialisation of the city (Masvora, 2013). However, there is controversy on the actual level of unemployment in the country. The real level of unemployment is almost impossible to gauge as countless Zimbabweans are making a living in the informal sector. According to John Robertson (2013), a prominent Zimbabwean economist, Zimbabwe's unemployment rate remains very high at more than 70 percent with less than 900 000 people formally employed out of a 13 million population. He further asserts that an estimated 100 000 jobs have been lost from 2004 up to date as government fails to create new jobs and it is the informal economy that has borne the brunt of absorbing the masses of unemployed people. This assertion has been opposed by other sections who claim that unemployment rate has been overstated to tarnish Zimbabwe's international standing. Only 7,7 percent of economically active Zimbabweans are unemployed (Mukarati, 2013). The Zimbabwe National Statistics Agency (ZIMSTAT) has pegged the country's unemployment rate at 10.7 percent - a figure that has been dismissed as grossly misleading by economists and the country's largest labour union (Mukarati, 2013). ZIMSTAT defines unemployment as lack of any means of contributing to the country's gross domestic product (ibid). This is interesting, when read in comparison to the latest African statistics that peg the rate of unemployment in Namibia at 51,2 percent, 48 percent for Senegalese, Kenya 40 percent, Nigeria 23,9 percent, South Africa 22,7 percent, Tunisia 18,8 percent, Botswana 17,8 and 10 percent in Algeria (Mukarati, 2013). At provincial level, the highest rate of unemployment is in Harare and Bulawayo where 24,6 and 24 percent of the economic active population respectively are jobless (ibid). Unemployment in Bulawayo has been exacerbated by de-industrialisation.

Therefore, organizing the informal economy and recognizing its role as a profitable activity may contribute to the economic development as asserted by Financial Express (2013) that the informal economy contributes around 19,5% of Zimbabwe's Gross Domestic Product (GDP) and informal non-farm activities contribute \$810 million. This can also improve the capacity of informal workers to meet their basic needs by increasing their incomes and strengthening their legal status.

According to Rogerson (1997), since the late 1970s, the focus of informal sector research has shifted from definitional concerns to whether the sector constitutes an arena for increasing income and employment, the relationship between the formal and the informal sectors and, what role, if any, should the government play. Therefore, the objective of this study is to critically analyze the role of the informal economy in the livelihood of Bulawayo residents. Ellis (2000) points out that livelihood strategies are composed of activities that generate the means of household survival. The informal economy is a livelihood strategy because it enables people to make a living (Mugisha, 2000).

METHODOLOGY

The study used qualitative methodology in the gathering and analysis of data. Qualitative research uses a naturalistic approach that seeks to understand phenomena in context-specific settings, such as "real world setting (where) the researcher does not attempt to manipulate the phenomenon of interest" (Patton, 2002). Data collection was done using the interview method. According to Kitchin and Tate (2000), the interview method allows the researcher to produce a rich, deep and varied data set in an informal setting. It provides a thorough examination of experiences, feelings or opinions that closed questions could never hope to capture

(Ibid). Purposive sampling was used to select twenty participants both male and female who are registered with the local authority. Information was also collected using document analysis and review of relevant literature on current debates on the role of the informal economy as a source of livelihood for the urban poor.

The research took a micro level approach by focusing on Entumbane bus terminus in Bulawayo Metropolitan. The area has a lot of economic activities since it is located near the bus terminus, shopping mall and high density suburbs.

RESULTS

Ownership

The ownership demographics show that the informal sector is dominated by females, that is, 55% females and 45% males. The sector is dominated by people in the age cohort of 31-40 years as they constituted 40% of the total respondents while the age of 51+ are the least involved in the informal sector constituting a mere 10%. It is also dominated by married people as they constituted 60% of the respondents with the second being the unmarried constituting a 25% and the widowed and the divorced only accounted for 15% of the total population as shown by the results. The findings indicate that 80% of the respondents had reached Ordinary level certificate while Advanced level holders constituted 10%. It was also found that 7% of the participants had primary education and 3% had a tertiary qualification.

Employment creation

It was found that the informal economy provides employment as 50% of the respondents were employees and the other 50% were the owners of the businesses. The results also revealed that 60% of the businesses have been in operation for more than two years and 40% for less than two years. The types of goods sold include cloth vending, agricultural produce, electronic goods, cosmetics, kitchen utensils, spices, fast foods vending and farm implements.

Income generated per month

The monthly incomes generated per month as shown by the findings indicate that 45% of the business owners get US\$400, 30% raise US\$251-\$399, 15% generate US\$100-\$200 and 10% raise less than \$100. This is illustrated by the bar graph below:

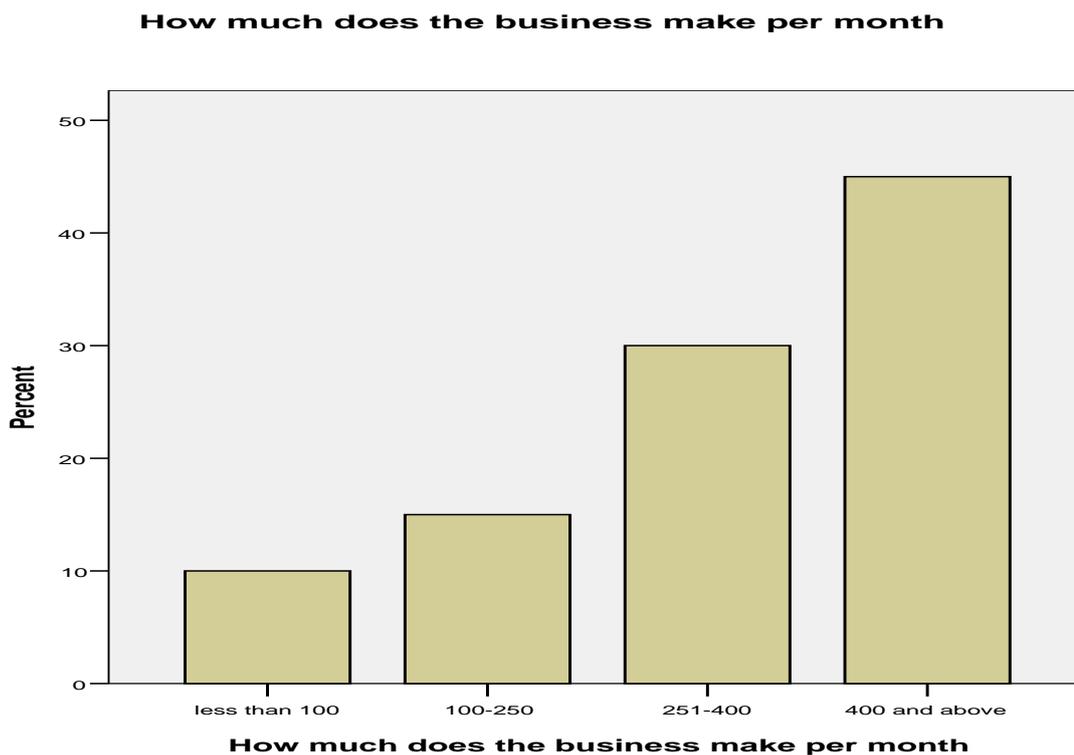


Fig 1: Bar graph showing how much is earned from sales in the informal sector on a monthly basis

The cash obtained is used for education, remittances, rentals and buying food and 50% of the respondents revealed that the amount obtained from sales is insufficient to cater for their basic household needs while the remaining 50% revealed that the amount can sustain their household needs.

From the study all respondents revealed that they have no alternate source of income apart from selling and also the study shows that all businesses are registered with the Bulawayo City Council and they pay \$14 per month for the right to sell.

DISCUSSION

The results obtained in this study clearly show that women tend to constitute the majority of the urban poor because of constraints imposed by socio-economic, cultural and political factors. Like their rural counterparts, women in urban areas are further disadvantaged because most of them often lack the formal education and training and these are bases for accessing formal employment. Surveys show that Non-Governmental Organisations (NGOs) addressing women's issues in towns have tended to focus on their domestic roles.

The study revealed that women tend to make up the greatest portion of the vendors in the informal sector since the majority lack formal education and skills because of a patriarchal nature of the society. The pre-ESAP surveys carried-out by Kanyenze et al (2003) in Zimbabwe indicate that women accounted for 67% of all micro-enterprises in 1991 and constituted 57% of the total informal economy employment and the average age of participants was 37-38 years. According to Bhana et al (2009) in the African context girls are often marginalised, the benefits of education including increased economic opportunities are given to the males. A study on the role of the informal sector in coping with economic crisis which was carried out in Thailand and Zambia by the International Labour Organisation in 2004 reflect that in Zambia both women and men increased their participation in the informal economy, particularly in urban areas, due to massive formal sector retrenchment, a fall in real wages, the rising cost of

living, and increased mortality due to HIV and AIDS. It is further shown that women tended to undertake such culturally defined activities as vending foodstuffs, running mini-restaurants and tailoring, while men tended to engage in furniture making, welding and metal fabrication and trading, which yield higher income. These findings are in agreement with this study. Men are very particular in the choice of business under the informal economy. Men prefer to remain unemployed rather than do work they considered only suitable for women, such as selling food or engaging in piece-rate activities (ILO, 2004).

The research showed that the sector is dominated by people in the age cohort of 31-40 years as they constituted 40% of the participants. This is attributed to the 2007/8 near collapse of the Zimbabwean economy that almost saw the total shutdown of the formal sector. On this context, most of the economically dropped from learning institutions and others were left jobless and resorted to the informal sector. However, it is difficult to come up with real figures of the people employed in the informal economy because most studies assume that the informal sector is the preserve of the poor (Rakowski, 1994). These assumptions make it impossible to capture the increasing number of people in some African cities who operate in the formal and informal sector simultaneously because many formal sector employees join the informal sector as an income supplementing and/or income-diversification strategy (Kaseke, 1998).

From the research, 80% of the participants did O-level while A-level holders were 10% and tertiary together with primary education holders were also 10%. This is because Zimbabwe's education system is currently suffering from a detrimental decline in public funding in conjunction with political unrest. In 2007 O-level pass rate crashed from 72% to 11%. This was fuelled by teachers having one on strike and this explains why the formal sector is dominated by the people with low education levels (Raath, 2008).

From the study the informal sector has helped in livelihood strategies i.e. money obtained for various purposes such as education, remittances, rentals and groceries. According to ILO (2004) the poverty datum line is at \$541 for a family of 5, the results of this study show that the participants make less money (45% make \$400) which is below the poverty datum line amount. Therefore the informal sector is unsustainable. Carr and Chen (2001) observed that the relationship between the informal sector and poverty is uncasual. There is a negative association between increased informal sector and economic growth because it was observed that there is a higher proportion of impoverished employees working in the informal sector.

The study revealed that the informal sector in Entumbane is the only viable source of livelihood for those involved as all the participants have no second sources of income. They are not involved in multiple livelihood strategies as they indicated that their businesses needed more attention. However, some studies have described the informal sector as a poor creator of employment and thus not a reliable sector for job creation opportunities as well as the basis for a sound national economy. From a technical point, the informal sector is a replica of the formal sector in that most of the activities carried out in the informal sector are similar to those carried out in the formal sector and people engaged in the informal sector are former employees of the formal sector. The only discernible difference is that informal sector activities are more subsistence oriented hence the reason for unsustainability in the sector (Carr and Chen, 2001)

Although the informal sector helps in livelihood strategies and increasing the GDP of the country, it faces various challenges. Firstly, there is shortage of capital to start a business or to expand. Most participants argued that they are operating below capacity because they have no access to loans from financial institutions since they do not have collateral security. This concurs with the assertion of the renowned Zimbabwean economist John Robertson who stated that it is difficult for people in the informal sector to secure credit facilities because they do not have evidence to secure such services since their incomes are erratic and low with little production involved and they lack things like payslips and bank account statements as an indication to the lender that one can pay

or service credit facilities, (Robertson, 2013). The results of the two studies carried out in Thailand and Zambia reveal that even where micro-finance programmes exist or have existed in the past, only a very small percentage of those in the informal economy have had access to or have benefited from them (ILO, 2004). It is also shown that in Thailand most people take-out loans from friends or relatives where interest rates are lower and they also have traditional moneylenders who charge much higher interest rates and do not hesitate to use strong-arm tactics to ensure repayment. This is a major challenge in boosting the informal economy to be sustainable as cash inflows are erratic.

Secondly, there is high competition from unregistered operators. Many people are operating without licenses from the Bulawayo City Council (BCC). It is argued that it takes a very long time for one to get a licence, for example 4 – 6 months. The researchers observed that within the Entumbane informal economy only forty out of 51 businesses were registered with the BCC. The unregistered operators tend to sell their goods at a lower price creating stiff competition amongst other sellers. The prices of the goods of unregistered operators are very flexible because they do not pay rentals to the responsible authority. The other challenge was the lack of built in structures for unfavourable weather conditions and government loans of funds to hoard the goods.

According to Timalsina (2007) urban street vending is not only a source of employment but it provides affordable goods and services to the majority of the urban poor. This implies that the government through the Ministry of Small and Medium enterprises can mobilise and organise informal economy participants into industrial business associations (Informal Sector Associations – ISAs). Efforts have been made to come up with the Zimbabwe Apex of Informal Sector Associations (ZAISA). The idea was to co-ordinate all stakeholders in the informal economy, ranging from Finance Institutions, Training Providers, and Suppliers of Technology to organised markets and to link them in a manner that unlocks economies of scale and associations such as the Cross Border Traders, Tuck shop Operators, and Arts and Craft were facilitated (Kanyenze et al, 2003). A study on street vendors shows that the lower income groups spend a higher proportion of their income in making purchases from street vendors, mainly because their goods are cheap and thus affordable (Bhowmik, 2005) Therefore, urban authorities should not take street vending as an illegal and unproductive sector but as an important livelihood securing sector for the urban poor.

CONCLUSION

The research reflected in this study was an analysis of the role of the informal economy in the livelihood of Bulawayo residents. As such, the study showed that the informal sector plays an important role as the source of livelihood for the people in Bulawayo. It has created employment, mainly for vulnerable groups of the population such as women who are disadvantaged in getting formal employment and it contributes to the GDP of the country. For most people involved in the sector it is the only source of livelihood. The informal economy faces various challenges such as shortage of capital to expand the sector, competition from unregistered operators. However the government should continue supporting the sector since it lies within the ruling Party's manifesto which states that: "Indigenise, Empower, Employ and Develop" and the informal sector is a strong form of indigenisation.

RECOMMENDATIONS

Based on the findings the following recommendations are made:

- The government should incorporate the informal activities into the national budget i.e. loan facilities,
- Training and education should be provided for the business entrepreneurs
- Proper structures should be provided by the local authorities

- Vendors should join hands with stakeholders (EMA, BCC, police), in creating a safe and clean environment for business activities as the site is an environmental and health time bomb.
- The informal sector are subject to a number of constraints especially that of competition due to unregistered businesses, the researchers therefore recommend that sellers should inform the local authority of such activities in a curb to reduce corruption.

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