

Strategies for Transitioning the Informal Economy to Formalisation in Zimbabwe

Labour and Economic Development
Research Institute of Zimbabwe
(LEDRIZ)



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The Labour and Economic Development Research Institute of Zimbabwe (LEDRIZ)

1: INTRODUCTION & BACKGROUND

Introduction

The informal economy thrives in the context of high unemployment, underemployment, poverty, gender inequality and precarious work, the very circumstances we have in Zimbabwe. It plays a significant role in income-generation due to of the relative ease of entry and low requirements for education, skills, technology and capital. However, most people enter the informal economy by necessity rather than by choice, in order to access to basic income-generating activities as a means of survival.

The informal economy is marked by acute decent work deficits and a disproportionate share of the working poor. Workers in the informal economy face higher risks of poverty than those in the formal economy. Although some activities offer reasonable livelihoods and incomes, most people engaged in the informal economy are exposed to inadequate and unsafe working conditions. Illiteracy levels are high, skill levels are low and training opportunities are inadequate. Incomes are also lower, less

certain and less regular and working hours are longer. There are no opportunities for collective bargaining and representation rights and their employment status is usually ambiguous or disguised. These workers are also physically and financially more vulnerable because work in the informal economy is either excluded from, or effectively beyond, the reach of social security schemes and safety and health, maternity and other labour protection legislation.¹

Methods for formalising the informal economy can take various forms which include registration, taxation, organisation and representation, legal and social protection, business incentives and support. The benefits are many: it contributes to the establishment of better (decent) jobs, creates a broader tax base that may allow lower rates, possibly increases investment and strengthens the social contract/rule of law.² Formalisation also leads to access to finance and market information, thereby enabling improvements in the productivity of informal units. Increased productivity means better incomes – and thus a

1. ILO Report V (1): Transitioning from the informal to the formal economy, 2013.

2. ZEPARU, Economics of Employment, 2013.

reduction in poverty – with an expanded social protection base as more people contribute to the social protection fund/schemes. Through formalisation, workers in the informal economy can enjoy legal recognition and protection as workers, thereby reducing decent work deficits. They will also enjoy freedom from discrimination, occupational health and safety measures, the ability to contribute to and enjoy social protection (health and pensions schemes among others) as well as the right to organise and bargain collectively.

The informal economy in Zimbabwe has been on the increase since independence in 1980. Although initially viewed as a transitory sector, history and evidence have painted a different picture.³ More workers in the country are employed in the informal than in the formal economy and the numbers continue to rise. This policy brief details the statistics of the informal economy from 1980 to date and tries to identify some of the causes of its growth as well as its characteristics. In conclusion, it offers policy recommendations on methods for curbing the growth of the informal economy and reducing decent work deficits.

1.1 The Informal Economy in Zimbabwe – the background

In 1980, the informal economy was relatively small, accounting for less than 10% of the labour force. As a result of the more

3. Thandika Mkandawire, 1985, *The Informal Sector In The Labour Reserve Economies Of Southern Africa With Special Reference To Zimbabwe*. Working Paper No. I.

relaxed post-independence environment, reserve labour found it easy to migrate into urban areas, as evidenced by the growth of the urban population from 13% of the total in 1960 to 23% by 1980.⁴ However, the lack of employment in the formal sector meant that these migrants had to make do with secondary jobs in the informal economy.

According to the Labour Force Survey (LFS) of 1986/87, the labour force in Zimbabwe at that time amounted to 4.3 million people, with an employment rate of 71%. The Gemini study conducted in 1991 estimated that there were about 845,000 micro-enterprises in the country, employing 1.6 million people (27% of the labour force) and, on average, 1.8 people each.

Although women accounted for 67% of all micro-enterprises in 1991, they represented only 57% of those working in the informal sector, reflecting the tendency of male-owned enterprises to employ more people. Women's activities primarily consisted of knitting, crocheting and sewing, but in market places or other locations outside of the household wholesale, retail and vending activities were found to be the most predominant. Men tended to dominate in more complex and relatively larger activities, such as carpentry, metal work and construction.⁵

The 1990s saw massive change in the

4. G.C.Z. Mhone (1993) 'The Impact of Structural Adjustment on the Urban Informal Sector in Zimbabwe', ILO, Geneva.

5. Godfrey Kanyenze, et al. (2003) *Giving Voice to The Unprotected Workers in the Informal Economy in Africa: The Case of Zimbabwe*, ILO Sub-Regional Office for Southern Africa, Harare.

Zimbabwean economy after the introduction of ESAP in 1991, moving from a highly interventionist approach to a more market-driven economic system. However, ESAP failed to shift the economy onto a superior and sustainable growth path and increase employment and its legacy was one of poverty and marginalisation. This led to the expansion of the urban informal economy, as a reflection of these associated hardships. Between 1991 and 1996, it continued to expand as more and more workers lost their jobs. Those that were able to keep their jobs had their contracts of employment changed from permanent to casual employment.

Thereafter, the economic crisis deepened: there were acute shortages of foreign currency, basic commodities and cash (ZWD), unsustainable budget deficits and domestic debt, an accumulation of repayment arrears on foreign debt, hyperinflation, un- and under-employment and rising poverty and the feminisation thereof. There was also a rise in company closures during the period. With virtually all foreign currency transactions, fuel purchases and basic commodities being sold through the exorbitant parallel market, the economy was effectively in an informal mode. This led to the explosive growth of the informal economy.

The Second Poverty Assessment Study Survey (PASS II) of 2003 indicated that the informal economy accounted for 30% of

those employed, a 7% rise from 1995.⁶ Sixty-three per cent of the people employed in the informal economy were in the urban areas. Using data from the 2004 Labour Force Survey (LFS), the International Labour Organization (ILO) (2008) applied both the enterprise-based and job-based concepts of informality, to find out the state of informalisation of the workforce. The former suggested that 1.2 million workers were employed in the formal sector and just over 710,000 in the informal economy, whereas the latter indicated that 975,000 workers had formal jobs, more than half of which were professional or skilled, and almost 4.1 million had informal jobs, of which 90.2% were unskilled. The implied conclusion was that four out of every five jobs in Zimbabwe could be classed as informal.⁷

In the 2011 and 2004 LFS, Zimbabwe Statistical Agency (ZIMSTAT) applied both the enterprise-based and job-based concepts of informality. The enterprise-based definition suggested that 1.6 million were employed in the formal sector in 2011, up from 1.2 million workers in 2004 and 566,833 workers (10.5% of the employed population in 2011) and just over 710,000 (13.8% of the employed in 2004) were in the informal economy. When the jobs-based concept was applied, 606,000 were seen to be in formal employment in 2011 (11% of the employed) compared to 975,000 workers (19% of the employed) in 2004, more

6. This contrasts with a level of 13.4% in the LFS of 2004.

7. M. Luebker (2008) 'Employment, Unemployment and Informality in Zimbabwe: Concepts and data for Coherent Policy-making', ILO Sub-Regional Office for Southern Africa, Harare, July.

than half of which were professional or skilled in both periods.

The growth of the informal economy has also been evidenced by the growth of informal employment, with growth in informal employment in both the formal and informal economies. In 2011, of the 5.4 million employed aged 15 years and above, 4.6 million (84%) were considered to be in informal employment, 91% of whom had unskilled jobs.⁸ According to the 2011 LFS, females constituted 53% of those in informal employment and 29% of those in formal employment. Educational attainment was associated with the type of employment of person had, with 95% of the informally employed having secondary or lower levels of education, while 52% of those in formal employment had some tertiary education.

Statistics have shown that in Zimbabwe, informality is higher when the job-based concept (informal employment) is used than under the enterprise-based concept (employment in the informal economy). This not only reflects the fact that most workers in the informal economy also fall under the job-based definition of informality (informally employed), but also indicates that a number of workers in the formal sector lack secure contracts with entitlements to social security and other employment benefits and are thus also considered informally employed.

The Prices, Income, Consumption and Expenditure Survey (PICES) of 2011/12

8. In 2004, roughly 4.1 million (80.7%, or four out of every five jobs) had informal jobs, 90.2% of which were unskilled.

showed that the total value added for the informal economy (including agricultural production by households) for that period was US\$1.3 billion (US\$810.0 million from informal non-farm-based activities and US\$921.4 million from households engaged in agricultural activities), constituting 19.5% of Zimbabwe's 2011 gross domestic product (GDP).

1.2 The Macroeconomic Context in Zimbabwe

Following the adoption of a multi-currency regime and cash budgeting and the discontinuation of the quasi-fiscal operations of the RBZ in 2009 killed off, real GDP growth averaged 8.5% for the period 2009-13. This was a marked contrast to the cumulative decline of at least 51% for the period 1998-2008. However, the post-2009 economic rebound is moderating, as growth declined from 11.4% (2010), 11.9% (2011), 10.6% (2012), and estimated 3.4% (2013) and a projected 3.1% (2014).

The economic turnaround has been anchored by mining and agriculture, with mining emerging as the most dynamic sector, replacing the dominance of agriculture in pre-crisis Zimbabwe. Mining and agriculture recorded cumulative growth the respective rates of 57.2% and 49.8% during the period 2009-2011. Export recovery was driven by these primary commodities, with the mining sector contributing US\$9.2 billion (65.2%) and agriculture and horticulture (and hunting) weighing in with US\$4 billion (28.3%) of the US\$14.1

Table 1: GDP growth estimates for 2013-2015

	2013	2014	2015
Agriculture, hunting and fishing	-2.6	23.4	3.4
Mining and quarrying	11.7	-2.1	3.1
Manufacturing	-0.6	-4.9	1.7
Electricity and water	5	3.5	2.5
Construction	3.9	2.6	2.9
Finance and Insurance	11.3	2	3.7
Real estate	0.7	-1.7	2.5
Distribution, hotels and restaurants	3.9	3.9	4.7
Transport and communication	7	0.9	4.1
<i>GDP at market price</i>	4.5	3.1	3.2

Sources: MOFED; ZIMSTAT; RBZ

billion generated during the period 2009 to September 2013. In other words, these primary commodities accounted for 93.5% of all export earnings for this 2009-13. Table 1 depicts the GDP growth estimates for 2013-2015.

As a result of weak commodity prices, the external sector remains depressed. – the total exports of US\$1.2 billion during the period January to June 2014 were 20% lower those of the corresponding period in 2013. Although imports during the first half of the year (2014) were, at US\$3 billion, 23.1% lower than those of the corresponding months in 2013, they are still too high. The trade balance of US\$1.8 billion for the period January-June 2014 was also lower than the US\$2.4 billion of the same period in 2013.

Inflation dropped from 231 million per

cent in July 2008 to negative 7.7% in 2009, rising to 3.1% in 2010, 3.5% in 2011, 3.7 % in 2012. It is projected as being below 0.0% in 2014, as the average between January and November 2014 was -0.16%. Inflation is expected to continue on this trajectory, the decrease attributed to depressed aggregate demand due to liquidity challenges; the depreciation of the rand, associated low inflation in the major trading partner (South Africa), stiff competition in the goods market as result of the liberalised pricing system and decreasing international oil prices.

The manufacturing sector share of GDP has fallen, as has the sector's capacity utilisation. Various Confederation of Zimbabwe Industries manufacturing sector surveys suggest that it dropped by 33% in 2009, 43.7% in 2010, 57.2% in 2011, 39.6% in 2012

and 36.9% in 2013. The decline in capacity utilisation is attributed to low throughput of agriculture, liquidity challenges resulting in high borrowing costs, lack of competitiveness due to antiquated machinery, high utility charges and competition from cheap imports.

Zimbabwe has a huge debt hangover – at the end of 2012, the total external public and publicly guaranteed debt (excluding Reserve Bank and private sector external debt) stood at US\$6.077 billion (49% of GDP). The stock of accumulated arrears accounted for US\$4.72 billion (78% of total debt stock), while the total multilateral debt stock stood at US\$2.49 billion (41% of total debt), with arrears amounting to US\$1.96 billion. With an unsustainable external debt overhang amounting to US\$8.8 billion as of the end of June 2014, the country is thus in debt distress.

1.3 The Labour Market Situation

The August 2012 Population Census put the national population at almost 13 million, 6.7 million of whom were female (51.9 %), giving an overall sex ratio of 93 males for every 100 females. The 2011 LFS showed that 68.6% of the population resided in rural areas, compared to 65% in the 2002 Population Census and the 2004 LFS.

According to the international definition used by ZIMSTAT, it is sufficient for a person to be engaged in an economic activity for at least one hour during the reference period to be classified as ‘employed’. Out of the 6.1 million economically active persons

(the labour force) in the 2011 LFS, 89% were deemed to be employed, of whom 54% were own-account workers (communal and resettlement farmers), 13.8% permanent paid employees, 11.8% own-account workers (other), 8.4% casual paid employees, 0.8% contributing family workers and only 0.4% employers. The national unemployment rate was estimated to be 10.7%.

As the unemployment rate is not a good indicator of employment in developing countries due to the absence of comprehensive social protection mechanisms, it is essential to look at the under-employment rate. Here, ‘underemployment’ refers to a person who is willing and able to work for 40 hours a week but is unable to find a job that matches his or her availability. Of the 5.4 million currently employed aged 15 years and above, 18% (954,000) had worked for less than 40 hours during the reference week. The reasons cited for underemployment were assigned to one of two categories: involuntary (74%) and voluntary (26%), and of the underemployed, 21% were aged 15-24.

The education profile of the unemployed has undergone radical changes over time. In 1986/87, 34% had O level qualifications, but in 1994 the percentage stood at 73.4%. In 1994, it had dropped to 70.4%, rising again to 74.6% in 2004 and decreasing by 3.5% to 70.1% in 2011. These figures reflect the rapid and massive improvements in the provision of education after independence. Paradoxically, the broad unemployment rates are higher for the better-educated; in 2011 they stood at 17.1% for those who had

completed secondary education, 11.1% for those with some secondary education and 9.9% for those with tertiary education compared to 7.7% for those who had completed primary education, 4.3% for those with some primary education and 1.8% for those with no primary education in 2011.

1.4 Methodology

The study employed qualitative methods such as interviews and focused group discussions to collect data and information. Primary data was gathered through a focused group discussion held with members of the Zimbabwe Chamber of Informal Economy Associations (ZCIEA). Interviews were also held with members of ZCIEA. The primary data was supplemented by secondary data sources that included articles, surveys and other studies conducted on the informal economy. Secondary data used included the following key documents from ZCIEA: 'Informal Economy Mapping' and 'Organising in the Informal Economy'.

2: THE STATE OF WORKERS IN ZIMBABWE'S INFORMAL ECONOMY

2.1 Working Conditions

2.1.1 Incomes and Wages

Zimbabwe does not have a stipulated national minimum wage as pay levels are set at sector level. Nor is there an official minimum wage for workers in the informal economy, wages are instead negotiated between the employer and the worker. However, such workers noted that there are no negotiations proper, only 'take it or leave it' discussions. They also highlighted the fact that most income is on a commission basis (a percentage of total sales) for those buying and selling as well as for those who manufacture.

Low incomes and harsh working conditions are the reality of the informal economy. The cash incomes of informal workers are extremely low, a finding which holds when the enterprise-based concept is used, contrary to the media's impression that the informal economy is the domain for 'excess profiteering.' The LFS 2011 discovered that paid workers⁹ in the informal sector received, in cash, US\$200 or less per month, well under the current poverty datum line average of US\$500. Moreover, wages are often paid late, more so by those employed

9. It is important to highlight paid workers, due to the fact that most workers in the informal economy are contributing family workers or other workers 'paid' with accommodation and food. Some are domestic workers who also conduct informal work.

by employers who also work in the informal economy, who cited that as they themselves had not been paid they could not pay wages owed.

Although the self-employed in the informal economy control the income they generate, they noted that the amounts vary from day to day and from month to month. Profit at the end of the month, taking into account the cost of buying the products and materials, transport fees and city council fees amounted to an average of US\$300.

2.1.2 Social Protection

There are no social protection schemes in the informal economy. The National Social Security Authority (NSSA) that administers national schemes offer them no cover and this institution's policy documentation clearly states that it is not required to do so. The National Pension Scheme, which was established in 1993 under NSSA, states the following

Membership: The Pension and Other Benefits Scheme is for every working Zimbabwean above the age of 16 years and under the age of 65 years who is in permanent employment, seasonal, contract or temporary employment. This does not include domestic workers and *the informal sector*, who are expected to join at a later stage.

As a result, if a worker in the informal economy falls ill or is injured at work, they have to pay their own medical bills. Workers said that days taken as sick leave are recorded as being absent from work and injury at work usually leads to loss of employment.

Some workers in the informal economy have developed their own social security schemes, the first type being a combination micro-credit and social security scheme known as *kufusha mari* where members deposit an agreed sum at the end of each day. Money can be loaned to members at a fixed rate of interest. These funds are typically used in times of sickness and to pay school fees. Profits from this are also divided among members so that they can boost their businesses. The second scheme is more of a donation-type arrangement and is targeted at members who are living with HIV/AIDS. Each month, such members are given donations (in cash) by other group members to ensure that they are able to buy the supplementary food that they require.

2.1.3 Employment Relations

The Labour Act requires that an employment relations be formalised through a contract of employment. Section 12(2) of the Labour Act, on the duration, particulars and termination of employment contract, states that:

An employer shall, upon engagement of an employee, inform the employee in writing of the following particulars—

The name and address of the employer;

The period of time, if limited, for which the employee is engaged;

Particulars of the employee's remuneration, its manner of calculation and the intervals at which it will be paid;

Particulars of the benefits receivable in the event of sickness or pregnancy; and

Hours of work among other provisions.

There are no such contracts in the informal economy. Most contracts are verbally and are never put to paper, which makes monitoring and enforcement difficult. In some cases, the worker is taken on as a 'member' of a family and the work they undertake is their contribution to sustaining the family unit. In other words, they become a contributing family worker.

2.1.4 Hours of Work

With no hours of work prescribed by the Labour Act, those in the informal economy work for long hours. One worker stated: 'As long as there are customers, we have to continue to work, and sometimes we go beyond 2200 hours and are expected to be at work by 0600 hours.' Other workers in the informal economy noted that due to the fact that they had no employment contract, their employers subjected them to unclear working schedules and sometimes had to work on weekends and public holidays.

The self-employed can regulate their working hours and on good days (where sales are high) they said that they can afford to close and spend time with their families.

2.1.5 Occupational Safety, Health and Environment

The informal economy in Zimbabwe is characterised by poor working environmental conditions. Occupational safety, health and the working environment are not seen as important. With the majority of informal economy workers operating from their residential premises and others working from public places in temporary

shed and structures, under trees or open spaces, issues of health and safety are either ignored or go unrecognised.

During the rainy season the workers in the economy are subjected to all types of water-borne diseases if they operate in non-protected areas. If they have covered space, it is often small, and their goods are often damaged by the elements. The working spaces allocated to informal operators are often situated next to overflowing garbage disposal sites, and workers cannot afford protective clothing or products of any kind.

2.1.5 Working Space

Although the local authorities have created working space for those in the informal sector, the allocation is usually done on political lines. If they do not support the ruling party, they will not be given a working area. During the interviews, it was noted that most of the working space has been apportioned to high-ranking government officials who subsequently divide it up and then rent it out.

Unable to obtain designated working space, most informal workers and operators have resorted to selling their wares from anywhere where they can set up shop. Street vendors do not have fixed vending sites but move from one street to another in search of an ideal location to sell their wares. This often leads to conflict with the police and the subsequent confiscation of their wares and the vendor(s) being fined. Confiscated goods are not always returned after fines have been paid.

2.1.6 Conclusion

Workers in the informal economy experience specific disadvantages and the most severe decent work deficits. As individuals and a group, their wellbeing is precarious and vulnerable. The recognised disadvantages are follows:

- ✓ Work is often characterised by small or undefined workplaces, unsafe and unhealthy working conditions, a low level of skills and productivity, low or irregular incomes, long working hours and lack of access to information, markets, finance, training and technology;
- ✓ Workers are neither recognised, registered, regulated nor covered by labour legislation and social protection;
- ✓ Workers' incomes in the informal economy are generally well below the poverty datum line (PDL), leading to vulnerability, exclusion and vulnerability;
- ✓ Most workers and economic units in the informal economy are subjected to police and municipal police harassment and victimisation; and
- ✓ Workers have difficulty accessing the legal and judicial system to enforce contracts and have limited or no access to public infrastructure and benefits (for example pension).

3:ORGANISING INFORMAL WORKERS

3.1 Challenges to organising workers in the informal economy

Trade unions and other workers' organisations face many challenges in organising within the informal economy. Challenges are political/conceptual and practical, external and internal, with many trade unions lacking the experience, openness, skills and resources or political will to take on the task. Particular challenges result from the gender composition and segmentation of the informal workforce, where women form the bulk of those employed in the sectors with the least income, security and status (ILO: 2002).

Some of the major challenges to organising the informal economy include:

1. *Legal and regulatory frameworks:* Most informal workers fall outside the legal framework for formal workers, who have rights and protections around which to organise and make gains. Nor do they have any are no traditional collective bargaining forums. As collective bargaining is a defining feature of trade union work, this creates a particular challenge for traditional unions. In the case of own-account workers, for example, street vendors or waste pickers, there is either no employment relationship, or an unclear or disguised employment relationship, as is the case for many homeworkers. Some trade

unionists hold to the more narrow view that such workers are outside the scope of trade union organisation.

2. *Economic development policies:* For the past three decades, dominant neo-liberal economic policies have largely focused on big business and attracting foreign investment. This is highlighted by the existence of the dual and enclave economy that exists in many African countries. Other existing laws or policies are often inappropriate for, or even exclude, informal workers, while some may have more immediate importance than national labour laws. Urban laws and regulations, for example, restrict trading space and licences.
3. *Leadership:* Not all challenges are a consequence of external or livelihood conditions. Within some sectors, and in some countries, informal workers have long organised themselves into local associations. This is commonly the case with street and market vendors, informal transport workers, rural workers and fishermen, for example. Even so, these associations seldom have a tradition of democratic functioning: there may be no agreed rules (constitution) or, where they exist, there may be low levels of compliance. Leaders may be unelected or not be subject to recall and may also be controlled by politicians, while women, despite their numerical dominance, are routinely kept out of, or lack the confidence to take up, leadership positions.

4. *Resources:* The vast majority of informal economy workers, particularly women, have precarious livelihoods and many face extreme poverty. Their ability to pay regular membership dues is severely restricted and may be erratic and/or vulnerable to external shocks (economic crises, natural disasters, and so on).
5. *Cultural norms:* These also discriminate against the informal economy, sometimes branding it illegal, thereby criminalising the sector and its workers, which can negatively affect their ability to organise.
6. *Social isolation:* This applies particularly to those who work inside private households, whether their own (home-based workers) or other people's (domestic workers). Competition between self-employed workers can also affect their ability to build sustainable collaborative relationships.
7. *Lack of time to participate:* Organisation requires much time and considerable voluntary and unpaid effort. Informal workers in particular tend to need to devote all their time to earning a living. Moreover, in the case of women workers, they have to attend to domestic responsibilities at before the start and after the end of the working day.

3.2 The Role of the Trade Unions in Organising the Informal Economy

Concerned about the impact of retrenchment as a result the ESAP, the Zimbabwe

Congress of Trade Unions (ZCTU), with financial assistance from the Norwegian People's Aid, established a Projects Department. It was expected to provide training for retrenchees who wanted to set up their own venture and to provide them with start-up capital. The project also sought to assist workers with taking over enterprises in distress. In the late 1990s, and with the assistance of the ZCTU, the Informal Sector Traders' Association of Zimbabwe was established and affiliated to ZCTU as an associate member. ZCTU even helped organise activities to support it but the project ultimately collapsed as the association was too centralised.¹⁰

With the assistance of the ILO, ZCTU organised a leadership workshop from 14-16 August 2000. The Bulawayo Upcoming Traders Association (BUTA), which was formed in November 1999, was invited in order to assist the workshop in understanding the workforce characteristics, problems, potential and likelihood of establishing linkages between it and the ZCTU. A detailed plan of action was also adopted. On the basis of this workshop, ZCTU developed a project proposal for the strengthening of the voice of unorganised informal economy workers. Given the predominance of women in the informal economy, the Women's Department of ZCTU was also involved in the design of the project.

As a result, a joint project between ZCTU and the Commonwealth Trade Union Council was established and started

operations in May 2001. The project aimed to bridge the gap between the trade union movement and informal economy workers and to build the capacity of informal workers to secure economic and social justice. It also sought to strengthen the organisation and representation of informal economy workers by building alliances between them and trade unions. It was through this project that ZIECA, an apex body, came into being.¹¹

ZCIEA was a direct result of the collapse of formal setups engendered by the ESAP period (1991-1996). Company closures, retrenchments and the inability of formal structures to absorb job-seekers gave rise to a massive expansion of the informal economy. On seeing the continued marginalisation of this economy, a group of 22 informal business associations joined forces and so ZCIEA came into being.

At a review workshop held in Harare on 27-28 May 2003, it was agreed that ZCIEA and the ZCTU should consolidate their relationship on a strong bipartite basis, and that the ZCTU continue to play a leading role in assisting ZCIEA. The leadership of both organisations attended the workshop and thereafter a Memorandum of Understanding was developed and signed.¹²

The Association has a total of 30 territories, each of which chapters formed from zones, as well as committees that include the main committee for the territory,

11. (ZCTU (2013) The Importance of Organising in the Informal Economy.

12. Kanyenze et al. (2003).

10. Kanyenze et al. (2003).

women, youth, people with disabilities, people living with HIV/AIDS and housing co-operatives. Most territories and chapters have committees that serve for an average of four years, with elections/congresses held to select new leadership. Committees also facilitate activities to assist its members on a group and on an individual basis.

4 CONCLUSION AND RECOMMENDATIONS

4.1 Conclusion

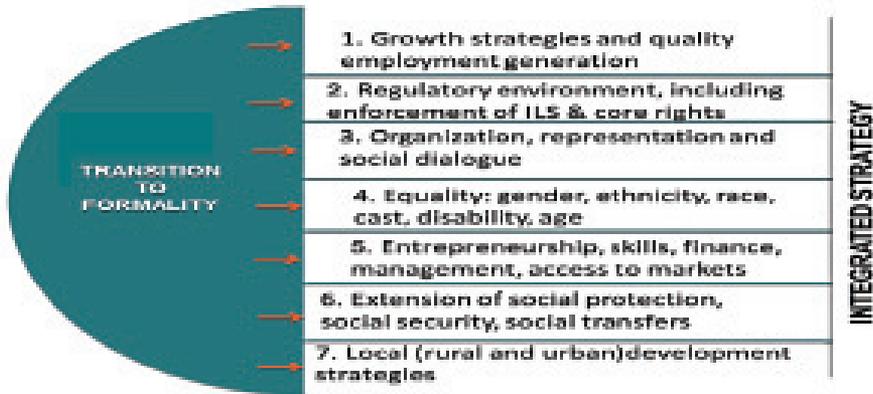
The continuous expansion of the informal economy since 1980 must be addressed, given that the working population is ‘falling’ into the informal economy. The majority of these workers are at the very bottom of the economic and social ladder and work under precarious conditions. They typically suffer from a decent work deficit, with its defining characteristics being that their work is ‘unprotected,’ ‘excluded,’ ‘unregistered,’ or ‘unrepresented’, despite the fact that they constitute 20% of Zimbabwe’s GDP.

It is therefore imperative to resolve the challenges this sector faces and develop strategies for its formalisation. In mapping out the way forward, it is important to build on some of the emerging good practices. The first important lesson emerging from the interventions on the ground is that formalising the informal economy should be comprehensive and multi-pronged. The Government of Zimbabwe must also play a facilitating and co-ordinating role rather than attempt to enmesh itself in the actual delivery of programmes.

4.2 Recommendations: *Facilitating the Transition from Informality to Formality and Decent Work*

The first step toward designing effective interventions to improve conditions in the informal economy is to recognise the

Figure 4.1: Decent work strategies for the informal economy



Source: ILO (2013a).

heterogeneity of informal economy activities. What is required is an integrated policy framework that takes into account the two main categories of informal employment (self- and wage employment) as well as the three main responses to informality (regulation, protection and promotion).

From the perspective of regulation, appropriate regulations of both enterprises and employment relations that balance economic efficiency and social redistribution goals are necessary. Protecting the working poor in the informal economy must focus on promoting their business, labour and property rights. Promotion will increase the productivity of informal enterprises, not only through access to capital but also through sector-specific business development services, infrastructure and inputs and supportive regulations and policies. Strengthening the employability of informal workers requires skills training and job matching and an appropriate mix of policies

for different sectors of the informal economy should be implemented. Importantly, in order to ensure that the appropriate mix of policies is identified, the working poor need representative voice, legal validity and official visibility in the policy-making process.

In 2002, the ILO developed a comprehensive policy framework based on seven key avenues towards formalisation (Figure 4.1). The framework emphasises the importance of vertical integration and coherence across the range of policies to curb informality, while the horizontal dimension focuses on intensifying action in each policy area. These policy areas are: quality employment generation and growth strategies; the regulatory environment; social dialogue, organisation and representation; promoting equality and addressing discrimination; measures to support entrepreneurship, skills and finance; the extension of social protection; and local development strategies.

a) Growth strategies and quality employment generation

Over the past decade, there has been an increase in the recognition of quality (decent) employment creation as the key link between growth and poverty reduction. Economic growth alone is not enough to reduce poverty and informality. The quality of the employment created is also critical, as the incidence of working poverty indicates. In their analysis of 20 developing countries, James Heintz and Robert Pollin (2005) noted that:

Increasing economic growth can reduce the rate at which informalisation is growing, though it cannot on its own create an environment where informalisation actually declines.

It is therefore imperative that Zimbabwe ensures that employment policies become central and that macroeconomic frameworks are re-oriented towards employment creation. To this end, the Government of Zimbabwe adopted the National Employment Policy Framework, which puts employment at the centre of all policies, on 1 June 2010. Now, the Government must activate the policy and ensure it is mainstreamed in all national and sectoral policies, as it is key to creating decent work.

b) The regulatory environment, including the enforcement of international labour standards and core rights

As the informal economy is usually outside the scope and coverage of legislation, there is need to ensure that actors in the informal economy are covered both in *law and*

practice by formal arrangements. Here, the Government of Zimbabwe can use the ILO's international labour standards, as they provide guidance on the application of rights at the national level and are designed to be adapted to local contexts. These measures have both social and economic benefits and ensure a minimum social floor for all who work. Bringing the multitude of informal workers and enterprises under the protection of the law would be a major step forward in the direction of moving out of informality and towards decent work.

In this regard, Government could:

- ✓ Simplify the registration and implement progressive taxation for MSMEs.
- ✓ Establish codes of conduct for the employment of workers in the informal economy. Improve labour inspection and new approaches to formalisation.
- ✓ Ensure greater respect for the law, including extending labour protection to unprotected sectors.
- ✓ Establish a national board similar to the National Wages and Salaries Board, (which sets wages for domestic and unclassified workers), in order to fix minimum wages for the informal economy.
- ✓ Promote education and awareness on formalisation issues.

c) Organisation, representation and social dialogue

Many informal economy actors are currently unorganised and/or poorly represented in social dialogue mechanisms. Workers have no platform that allows them to participate in the national dialogue processes. Although the current labour law

reform and set up of the Tripartite Negotiating Forum Bill covers the inclusion of other actors as and when necessary, there is still need to ensure that all in the informal economy have a voice and a place to air their views at all levels of dialogue. Social dialogue must underpin all policy making on the informal economy. Furthermore, Government has a key role in creating an enabling framework for social dialogue, establishing freedom of association and establishing social dialogue platforms at different levels.

In terms of representative voice, the working poor need to be organised into membership-based associations that can participate in relevant policy making and rule-setting bodies or processes. The working poor in the informal economy need legal identity and rights as workers and entrepreneurs, and as asset holders. For them to gain official visibility in policy-making, their activities, enterprises and contributions should be measured and valued through the provision of appropriate data.

d) Equality: Gender, HIV status, ethnicity, race, caste, age, disability

Labour market discrimination pushes many groups into the informal economy, and as a result, women, youth and people living with disabilities are often clustered in the most marginalised segments of the informal economy. Policy making requires a gender lens to understand the different needs and constraints of women and men. Here, a pro-poor and inclusive approach to other marginalised groups is required

to enable them to enjoy their rights and have opportunities for productive, formal work. While the government has set up ministries that target these vulnerable groups (the Ministry of Women Affairs, Gender and Community Development and the Ministry of Youth, Indigenisation and Economic Empowerment) they are inadequately resourced these ministries. At the same time, it is the role of these ministries to ensure that these marginalised groups are equipped with skills, knowledge and have an opportunity to fully participate in the development of the country.

e) Entrepreneurship, skills, finance, management, access to markets

Employment in micro, small and medium enterprises is one of the most important sources of job creation in developing countries, but many remain informal. In order to promote transition to formality and the growth of micro to small, small to medium and medium to large enterprises, and to integrate hitherto marginalised groups into the mainstream formal economy, active labour market policy measures that influence the quality of labour supply and enhance demand are an important aspect of any integrative employment agenda. These measures are as follows:¹³

i) Labour supply (Employability)

- ✓ Innovative, gender-sensitive training and skills development programmes, such as apprenticeships, mentorships,

13. ZEPARU (2013) 'The Nexus Between Growth, Employment and Poverty in Zimbabwe: The Economics of Employment', Occasional Research Paper No. 1, 2013, Harare.

business incubators and promoting a culture of entrepreneurship.

- ✓ Vocational training programmes designed and implemented in partnership with the private sector.
- ✓ Basic education programmes for those who have dropped out of school.

ii) Labour demand (Employment creation)

- ✓ The promotion and development of SMEs and co-operatives
- ✓ Labour-based public works
- ✓ Business linkages
- ✓ Self-employment programmes
- ✓ Service provision in fields such as HIV/AIDS, waste management and environmental protection, through public-private partnerships
- ✓ Community-based service provision, such as access to micro-finance institutes.¹⁴

iii) Equal opportunities

- ✓ Promoting the employment of young women and mainstreaming youth as a priority in programmes
- ✓ Programmes targeting people with disabilities and other vulnerable groups.¹⁵

f) Extending social protection: Building social protection floors and social security systems

The lack of access to social protection – currently a defining feature of the informal economy – needs rectifying in both law and

14. Micro finance institutes are particularly relevant for moving out of informality because they have both equity and efficiency objectives, including job creation, reducing vulnerability and facilitating empowerment through group mobilisation.

15. See ILO (2005).

practice. A growing number of countries have shown that extending social security coverage is viable, even in low-income nations.¹⁶ The social security schemes need to be adapted to the specificities of informal economy groups and should be used in combination. Such measures include:

- ✓ The gradual extension of social insurance schemes
- ✓ The introduction of special arrangements for informal economy workers
- ✓ The development of conditional and unconditional cash transfer programmes that support access to health and education
- ✓ Employment guarantee schemes.¹⁷

g) Local (rural and urban) development strategies

To improve the transition to formalisation at local level the following factors must be in place: infrastructure, the institutional environment within which adaptations occur (especially the extent of decentralisation), political influence, kinship networks and skills. Measures that local authorities can take to support transition include:

- ✓ Supporting community-based management initiatives
- ✓ Facilitating market access
- ✓ Increasing inward investment and local procurement

16. ILO (2013a) ‘Transitioning from the informal to the formal economy’.

17. These right-based public employment policy with the objective of enhancing livelihood security, providing basic employment guarantee. Thus, every year the unemployed has access to employment and income for a set number of days and the programme is government-funded.

- ✓ Upgrading value chains
- ✓ Promoting employment-intensive methodologies for developing infrastructure
- ✓ Streamlining business registration and regulations
- ✓ Providing business support services
- ✓ Strengthening public-private partnerships.¹⁸

A local development approach is crucial to successfully mitigating some of the impacts of economic crisis and foster formalisation of the informal economy. Strategies should strengthen public employment services, set up a labour market observatory, identify growth sectors, enhance access to training and build the capacity of ministries and local authorities to deal with the growth of and decent work deficit in the informal economy.

18. ILO (2013b) ‘The informal economy and decent work: A policy resource guide: Supporting transitions to formality’, Geneva.

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