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# Informal Economy and Social Vulnerability in Zimbabwe

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**A RESEARCH REPORT**

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## Abstract

As Zimbabwe attained political independence from British rule in 1980, the country was faced with the difficulty of transforming the colonial legacy of an enclave economy which consisted mainly of the formal and informal sectors. The post independence government acknowledged the existence of the informal economy and made a policy position declaring that it would provide the sector with the necessary infrastructure for it to meaningfully contribute to the development of the country. Whilst the informal economy is identified by different names that depict its undesirability, it has contributed significantly to sustaining livelihoods in the face of social, political and economic challenges facing the country. Notwithstanding this, there have been calls supported by the International Labour Organisation (ILO) Resolution R204 (Transition from the Informal to the Formal Economy Recommendation) to formalise the informal economy businesses to ensure structured and legal recognition of informal business operators. This publication contextualises the informal economy in Zimbabwe identifying the policy environment and assessing its impact from the youth, gender and domestic sector perspective. It provides recommendations to be considered in the formulation of policies in line with ILO R204.

# Informal Economy in Zimbabwe: A Contextual Analysis

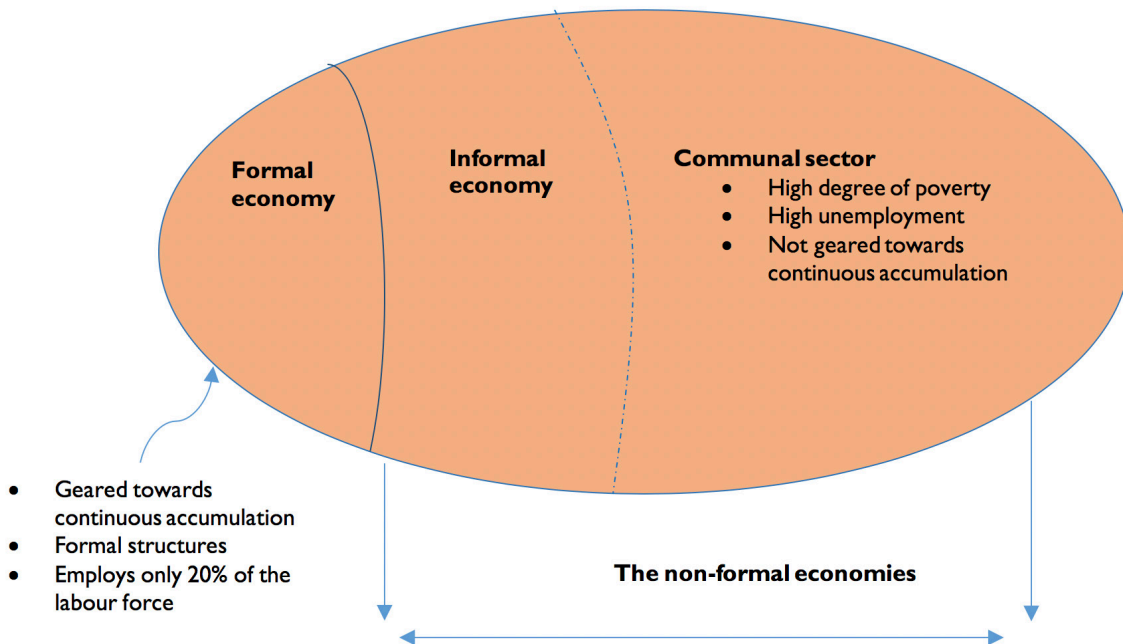
RANGARIRAI MACHEMEDZE

“The challenge on African leaders and policy-makers is that of transformation of small dual, enclave, gate-keeping economies into structurally sustainable vibrant economies that are developmental, equitable, growth oriented and more decisively, that are technologically functional.” (Government of Zimbabwe’s Three Year Macroeconomic Policy and Budget Framework for the years 2010 – 2012)

## 1.1 Introduction and Background

One of the fundamental characteristics of the Southern African countries’ economies, including Zimbabwe, is the existence of what has been termed an ‘enclave and dual economy.’ This economy was initiated and evolved from the repressive colonial regimes in the region that resulted in the emergence of three distinct sectors in one economy: the formal sector, the urban informal sector and the communal sector (Mhone, 1993). Kanyenze G (2004) notes that the concept of the informal sector has generated a lot of controversy as some researchers have objected to the concept of informality. He notes that the controversy has been centred on the reference to ‘sector’. He reckons that critics point to the fact that the traditional concept of the informal ‘sector’ is flawed and misleading as it seems to refer to components that tend towards homogeneity, and yet in practice diversity characterises it. He notes that in Zimbabwe some studies have avoided the term informal economy and instead used the term micro and small enterprises (SMEs). Capitalist tendencies of accumulation of wealth necessitated this dualism where the privileged, educated and uneducated well-connected individuals were absorbed in the formal economy. The oppressed were confined to the informal and rural sectors. The end of colonialism, beginning in the 1960s through to the 1990s should have, in one way or the other, paved the way to the end of this dualism. Instead the governments of the region, as argued by Mhone, are liable to perpetuating the legacy as their policies have tended to follow the established order.

**Figure 1: The Three Sectors of the Economy**



*Source: Adapted from Alternatives to Neo-Liberalism in Southern Africa*

The above observation in the preamble by the Government of Zimbabwe in one of its policy documents acknowledges not only the existence but more fundamentally the importance, of the informal economy and its potential to transform the production and structure of the economy. The informal economy is identified by different names. The International Monetary Fund (IMF) has noted that the informal economy around the world “is known by different names, such as the hidden economy, grey economy, black economy or lack economy, cash economy or shadow economy (IMF 2017). In its definition, the IMF noted that the informal economy includes all economic activities which are hidden from official authorities for monetary, regulatory, and institutional reasons. “Monetary reasons include avoiding paying taxes and all social security contributions, regulatory reasons include avoiding governmental bureaucracy or the burden of regulatory framework, while institutional reasons include corruption, the quality of political institutions and weak rule of law.” On the other hand, the International Labour Organisation (ILO) has defined the informal economy as a “way of doing things characterised by (a) ease of entry; (b) reliance on indigenous resources; (c) family ownership; (d) small-scale operations; (e) labour intensive and adaptive technology; (e) skills acquired outside of the formal sector; (g) unregulated and competitive markets” (ILO, 1972). Thus, according to the ILO, the informal economy is assumed to consist primarily of micro-enterprises with less than five people, workers and family members who are less paid. Consequently, in the context of the southern African countries in general and Zimbabwe in particular, the informal sector consists mainly of cross-border traders, vegetable market vendors, cottage industry and flea market operators mainly for textiles and footwear, among others. In 1999, the ILO and the International Confederation of Free Trade Unions (ICFTU) further categorised workers in the informal economy to include:

- (a) owner-employers of micro-enterprises, which employ a few paid workers, with or without apprentices;

(b) own-account workers, who own and operate one-person businesses, who work alone or with the help of unpaid workers, generally family members and apprentices; and

(c) dependent workers, paid or unpaid, including wage workers in micro-enterprises, unpaid family workers, apprentices, contract labour, home workers and paid domestic workers.

Both the IMF and ILO definitions mostly acknowledge and focus on legal economic and productive activities that have an impact and huge bearing to national GDP.

This paper analyses the policy and contextual environment in which the informal economy is anchored. The paper concludes by offering policy recommendations for the informal economy to be properly understood and recognised as a vital cog of the economy.

## 1.2 The Informal Economy in Zimbabwe

As Zimbabwe attained political independence from British rule in 1980, the country was faced with the difficulty of transforming a colonial legacy of an enclave economy which consisted mainly of the formal and informal sectors. Previous studies (Kanyenze 2004) on the issue point to the fact that the post-independence government acknowledged the existence of especially the informal economy and made a policy position declaring that it would provide the sector with the necessary infrastructure for it to meaningfully contribute to the development of the country. The Labour and Economic Development Research Institute of Zimbabwe (LEDRIZ), observed that the first phase covering the first decade of independence (1980-90), was characterised by government intervention in the economy (with a strong focus on social provisioning, especially education and health) and continued pursuit of import substitution. However, due to unsustainable budget deficits, shortages of foreign currency, depressed investment and employment creation, the government adopted economic reforms (the Economic Structural Adjustment Programme – ESAP) at the behest of the IMF and World Bank (1991-1996 – the reform period). During the period, the country experienced massive de-industrialisation owing to the opening up of the economy to competing imports, which were cheaper and replaced subdued local production (LEDRIZ, 2016).

Since the 1980s, through to the 1990s and in the early years of the new millennium, a number of studies and surveys have been carried out documenting the growth of the informal economy. Although these studies have been focussing more on SMEs, they did provide some evidence of the growth of the informal sector. The country's Economic and Structural Adjustment Program (ESAP) supported by the World Bank in the early 1990s sought to address some of the challenges related to the dual structure of the economy. However, several studies have concluded that ESAP exacerbated the challenges and did not reduce poverty and unemployment as its architects had hoped. In the absence of social safety nets and clear safeguard mechanisms to cushion vulnerable industries, a number of companies closed and, in some cases, people were retrenched. Reduction of the civil service meant most public service employees were thrown out of the job market and all this exacerbated the growth of the informal economy (World Bank 2012).

**Performance of the Zimbabwe Economy, Selected Economic Indicators, 1986-2014  
(Periodical Annual Averages)**

Indicator	1986-90	1991-96	1997-08	2009-14
Real GDP Growth (%)	4.6	2.8	-4.3	7.8
Real GDP Per Capita (%)	1.4	-0.6	-3.6	5.6
Manufacturing/GDP (%)	20.6	21.1	13.5	11.7
Gross Savings/GDP (%)	16.5	17.8	6.3	-6.0
Gross Investment/GDP (%)	16.0	21.7	10.6	16.8
Budget Deficit (% of GDP)	-2.1	-5.8	-6.1	-3.9
Inflation (%)	11.8	26.6	19,255,755.00	0.8
Bop (US\$M)	-	73.5	-254.6	-1209.1
Trade Balance (US\$M)	267.7	75.2	25.8	-3784.8
Export Growth (%)	0.1	0.1	-4.7	8.1
Import Cover (Months) 100%	-	3.1	0.9	0.9
Formal Sector Employment	1,118,133	1,249,200	1,213,200	1,096,800
Employment Index – 1990=100	94.9	104.8	101.8	92.7

Source: LEDRIZ 2016

With the above background, Zimbabwe, once the breadbasket of Southern Africa, is now a fragile nation with a population of about 14 million people, and a gross national income per capita estimated in 2008 to be US\$360 (compared to sub-Saharan Africa average of US\$1,428), making it one of the poorest countries in the world (African Development Bank, 2010). At the dawn of the new millennium, the country went through a period of political and economic difficulties characterised by a decline in the productive sector and hyperinflation that forced the closure of many companies and led to the majority of the urban formal workers losing their jobs. The country had an overall cumulative Gross Domestic Product (GDP) decline of 50% by 2008 (Govt. of Zimbabwe 2013), and while it recorded a GDP growth of more than 10% per year in the period 2010-13, this fell to 4% in 2014 due to poor harvests, low diamond revenues, and decreased investment, and turned negative in 2016 as a result of deteriorating macroeconomic conditions, low mineral prices, infrastructure and regulatory deficiencies, a poor investment climate, a large public and external debt burden (Govt. of Zimbabwe 2013). In fact, since 2006, virtually all sectors of the economy recorded declines in output, with agriculture, manufacturing and mining estimated to have declined by 7.3%, 73.3% and 53.9% respectively in 2008 (STERP, 2009). During the period real GDP growth recorded a cumulative contraction of about 48% (nearly 5% per year). The decline cut across all key sectors, despite Zimbabwe's rich resource endowment.

Infrastructure and related facilities such as water supply and sanitation systems, transport and energy are in a poor state and this has impacted negatively on the provision of social and economic services for the whole population (ADB, Op.cit.). The more vulnerable segments of the population, particularly women, children and the elderly are hit hard with increases in diseases (like cholera that killed an estimated more than 4 000 people in 2008) and rising poverty levels. The impact has been felt beyond Zimbabwe's borders as an estimated 4 million Zimbabweans have left the country, including many skilled personnel in search of better lives.

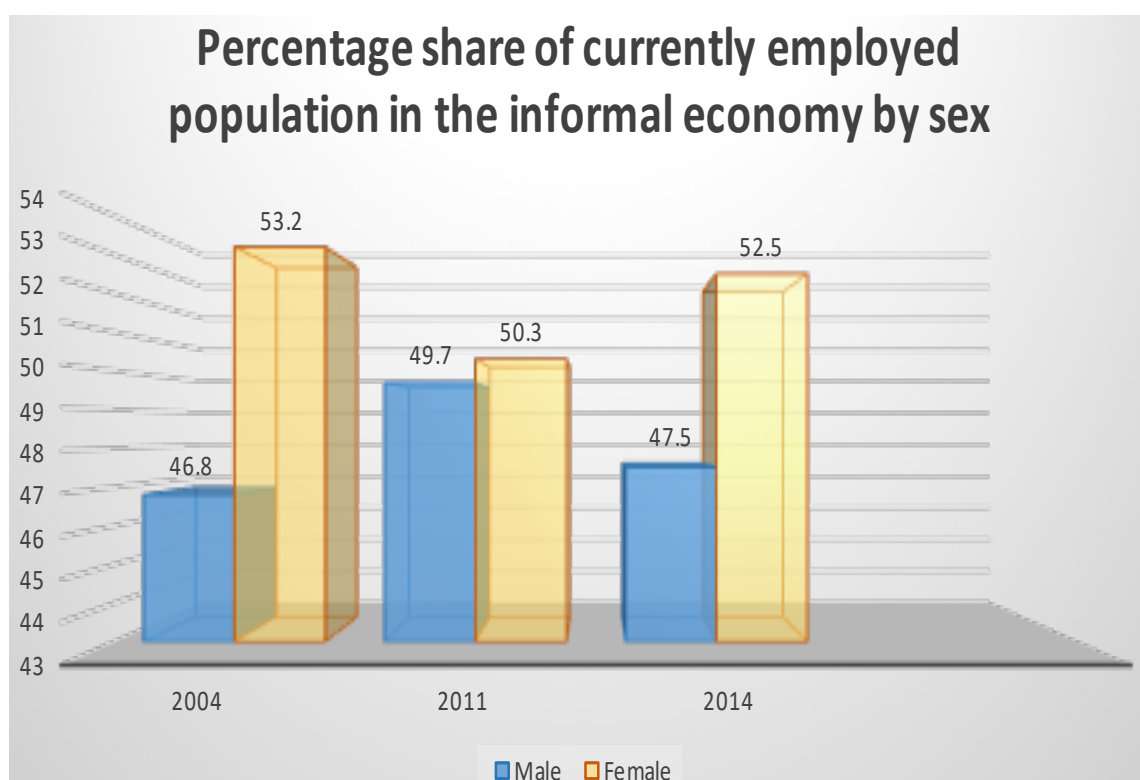


The situation, led to the further growth of the informal activities as people jostled to eke out a living outside the formal economy. Hence the growth of the informal sector was a knee-jerk response to the failure of the formal economy to absorb the thousands of skilled workers, professionals and school leavers and not because of the need to engage in illegal activities outside the precincts of the law. Hence the ILO has noted that:

“While the informal sector exists in many countries outside or on the fringes of the law, there is now an international consensus that the lack of legal recognition should not be used as a pretext to criminalise the informal sector. As argued in the report on Decent Work and the informal economy submitted to the International Labour Conference in 2002, the majority of workers produce goods and services that are legal, although they are not registered or regulated (ILO, 2002a: 3). In fact, some operators have the required permits and licences, while others engaging in the same activities do not.” (ILO, 2008).

The Government of Zimbabwe has noted that the proportion of the total employed population aged 15 years and above in informal employment have increased from 84.2% in 2011 to 94.5% in 2014 and the employment in the informal economy has largely been associated with high vulnerability to poverty. In May 2014, of the total 1.5 million paid employees, 1.4 million (93%) were in informal employment (IPRSP, 2015).

The Price, Income, Consumption and Expenditure Survey (PICES) for 2011/12 showed that the informal economy is currently a hub of poverty, with 78.3% of the households whose heads are employed in that sector being poor, and 24% of them being extremely poor. A very high proportion (85.9%) of those currently employed in the informal sector were unskilled, with 54.4% of the unskilled being women.



Source: Kanyenze G (2016)

## Gender and Youth in the Informal Economy

Two sectoral papers on gender and youth dynamics in the informal economy in Zimbabwe and the region indicate that women and the youth constitute the bulk of those surviving through the informal sector. For example, the papers note that informal cross-border traders showed that over 70% of those who are involved in cross-border trading are women. In addition, they have observed that the estimated value of trade conducted by women in the SADC region is approximately US\$7 billion annually. As regards young people, the Zimbabwe Labour Force Survey (2014) report shows that there are 4.5 million young people aged 15-34 years who are economically active and 98% of the currently employed youth aged 15-24 years are in informal employment. Of the youths employed, 2.6 million are in vulnerable employment.

The papers have documented and enumerated the challenges facing women and youths in the informal economy and these have been summarised as follows:

- Sexual harassment
- Exclusion from policy processes and a lack of appropriate legal and policy frameworks
- Unfair competition
- Unfavourable conditions
- Lack of access to equipment
- Lack of information

As Zimbabwe grappled for nearly two decades with a humanitarian crisis underpinned by rising poverty levels, unemployment, food insecurity, the collapse of social services, HIV/AIDS, gender inequalities, infrastructure decline and public transportation crisis among others, the informal economy played a crucial role in sustaining the economy. Cross-border traders, flea market operators, small-scale food producers and a host of other informal activities ensured the continued survival of the population. Despite this vital input into the economy, the informal economy remains largely marginalised with operators in the informal activities receiving little attention from the formal structures of the state. To sum it all and as noted by LEDRIZ, Zimbabwe is suffering Persistent de-industrialisation and informalisation of the economy with 4 610 firms closing between 2011 and 2014, resulting in 55 443 job losses. Informalisation deepened such that the level of informal employment, which had increased from 80% in 2004 to 84.2% by 2011, rose sharply to 94.5% by 2014.

### 1.3 The Policy Environment

Zimbabwe adopted various ad hoc plans which include:

- Millennium Economic Recovery Programme (MERP, 2001-2002)
- Ten-Point Plan Based on Agriculture (2002)
- National Economic Revival Programme (NERP 2003)
- Macroeconomic Policy Framework (2005-2006)
- National Economic Development Priority Programme (NEDPP 2007) and
- Zimbabwe Economic Development Strategy (ZEDS, 2008) which was aborted at conception
- Short-Term Economic Recovery Programme (STERP1, 2009-2010)
- Short-Term Economic Recovery Programme (STERP II, 2010-2012)
- Medium-Term Plan (2011-2015)
- Zimbabwe Agenda for Sustainable Socio-Economic Transformation (ZimAsset 2013-2018).

These policies and plans recognised the importance of the informal economy and outlined some priority actions to be taken in order to formalise some of the sector activities.

Zimbabwe, for the past decade, had a ministry that oversaw the operations of SMEs, that is the Ministry of Small & Medium Scale Enterprises. Despite the existence of the ministry for the past couple of years, it has been difficult to establish the existence of a clear-cut policy on the informal economy. The policy documents discussed below also confirm that there was a need to finalise the review of the SMEs policy in the country. It is worth noting that the new ministries created after the July 30 harmonised elections have the SMEs as part of the Ministry of Women Affairs.

Apart from the ministry of SMEs, there are several other ministries that deal with SMEs or whose policies directly impact on SMEs. These are the Ministry of Industry and the Ministry of Finance and Economic Development. Unfortunately, there is no inter-ministerial committee to coordinate the efforts of these ministries.

The Industrial Policy Framework of Zimbabwe (adopted in 1999) recognises the importance of SMEs and the need to encourage SMEs to spread and grow in order to reduce unemployment. Promotion of small-scale industries is among the priorities of government. The sector is increasingly viewed as an important engine for employment creation and economic growth.

Since the signing of the inter-political party agreement (so-called Global Political Agreement, GPA) on 15 September 2008, and the formation of the inclusive government in February 2009, different policy documents have been developed that recognise the importance of the informal sector. These policy documents are:

1. The Short-Term Emergency Recovery Programme (STERP)
2. The Three-year Macroeconomic Policy and Budget Framework

STERP was a short-term programme up to December 2009 focusing on political and governance issues, social protection programmes, supply-side reforms, and macroeconomic reforms. The short-term nature of the STERP (nine months) meant that it was almost impossible for a government to transform the economy reeling under a decade-long malaise. The government then took the decision in August 2009 to develop two critical policy documents to succeed STERP – the three-year Macroeconomic Policy and Budget Framework and the Medium Term Development Plan.

The Three-Year Macroeconomic Policy and Budget Framework laid out macroeconomic policy instruments that would anchor the rolling budget for the years 2010-2012, whilst the Medium-Term Plan would deal with broad developmental and growth-oriented policies.

### 1.3.1 Short Term Emergency Recovery Programme (STERP)

The STERP policy document recognised the role of SMEs, as major sub-sectors of the informal economy.

‘Small and medium enterprises and co-operatives are crucial in employment creation and growth as well as consolidation of indigenous ownership of resources in the economy. Because of their labour intensity nature, capital saving capacity, harnessing of local resources, dependence on fewer imports, flexibility and adaptability, innovativeness and strong linkages with other sectors of the economy, SMEs become key engines for economic growth’ (STERP, 2009).

However, the policy document recognised that there was an information gap with regards to the number of operators and the extent and scope of their operations, including their contribution to the national economy. The government undertook to carry out a national SMEs census and database to support the policy formulation process and provide clarity on the role and contribution of SMEs to the economic growth and development of the country (STERP, Op. Cit.). The government noted that the information from the census would be used to create a database covering a wide range of issues including the spread, concentration and numbers of SMEs, employment, product varieties and all other relevant economic indicators including their contribution to overall economic growth.

### 1.3.2 The Three-Year Macroeconomic Policy and Budget Framework (STERP II)

The STERP II macroeconomic framework on the informal sector was an improvement from STERP I on the strategies for improving the operations of the SMEs, cooperatives and other informal sector groupings. The policy document noted that the government would enact the SMEs Bill and finalise the review of the SMEs Policy and Strategy Framework, including the establishment of an SME Observatory Unit and the conclusion of the SMEs census for creating a SMEs database.

Such an explicit intervention at that level brought some hope for those informal operators who found it difficult to freely operate in the absence of clear-cut policies. One major and fundamental development in the macroeconomic framework was the proposed mainstreaming of SMEs activities into local authorities and other organisations' strategic plans. This would have been a welcome development given the fact that local authorities have their own by-laws that may stifle and work against the interests of the informal sector operators. The mainstreaming and possibly harmonisation of legislation involving activities of the informal sector would also enhance the faster integration of informal sector activities into the formal economy.

The macroeconomic framework also listed the following as measures that would promote the development of the informal economy:

- Promotion of industrial clusters and development linkages with established companies.
- Increasing the capacity of financial institutions to develop profitable SMEs lending programmes, while prioritising the development of innovative and flexible collateral instruments, such as group guarantees and loan guarantee schemes.
- Micro-finance Fund to support Micro-finance institutions that lend to micro-projects and have a wider outreach in rural areas.
- Financial support for SMEs development through mobilising appropriate domestic and external lines of credit through the banking sector.
- Re-capitalisation of SEDCO to enable it to adequately meet financing needs of SMEs.
- Capacity building programmes in business services such as business management, planning, marketing, trade promotion, product research and development, information processing and legal advice, among others.
- Establishment of a Business Links office will be finalised to offer such technical support as advice, information and training to SMEs.
- Ensuring effective participation by SMEs associations in national dialogue.
- Strategic framework for development, as well as ensuring that the contribution, policy

and support needs of SMEs are fully recognised as central to growth, employment, and poverty reduction in the economy.

- Provision of adequate and suitable infrastructure for SMEs such as the development of incubators, factory shells, as well as walk through shopping malls.
- Realignment of the Co-operative Societies Act [Chapter 24:05 of 1996] with the new Cabinet approved Cooperative Societies Policy and subsequent re-alignment of the Societies' by-laws with the Act and the Policy.
- Provision of support for the development of the Savings and Credit Co-operative Societies as they play a major role in providing funds to Co-operative Societies. Government will enact a separate Savings and Credit Co-operative Societies Act.

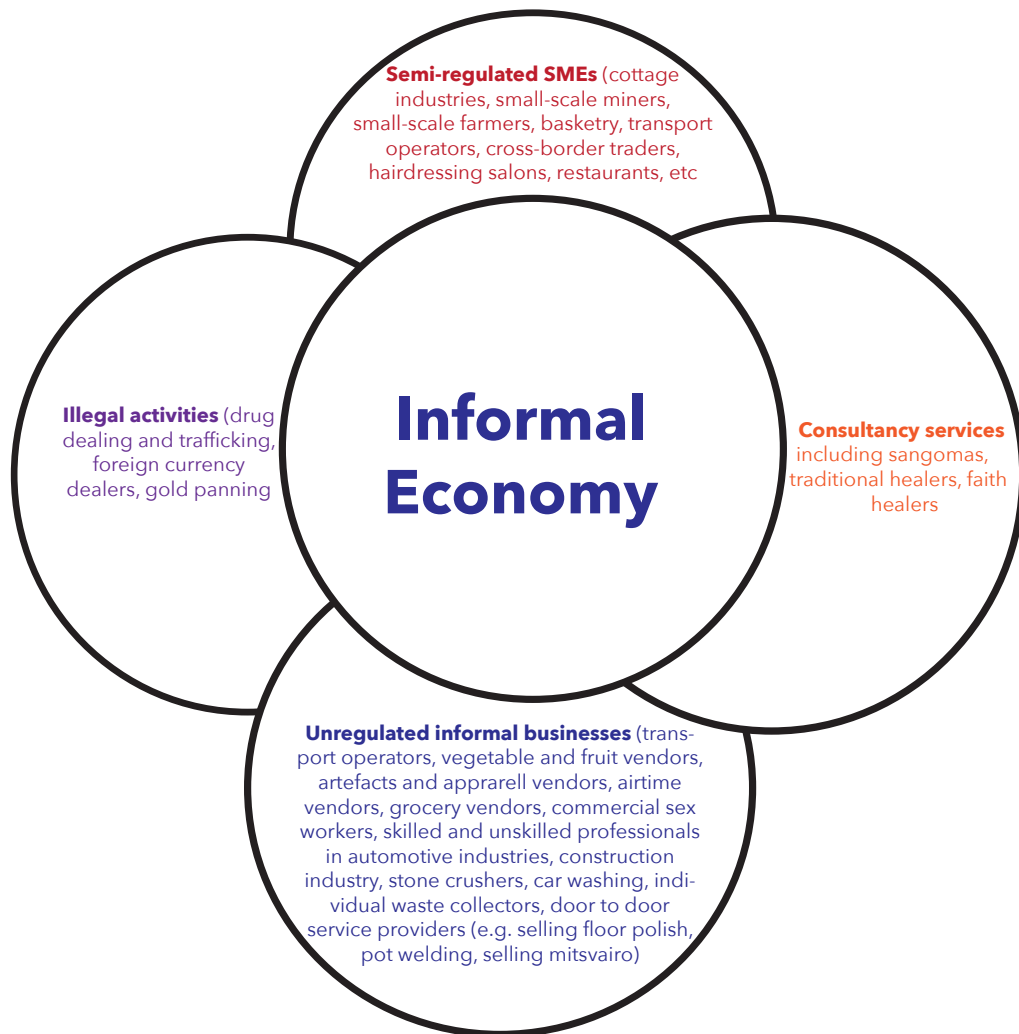
These measures were initiated to facilitate the consolidation and transformation of the SMEs activities into the mainstream economy so that support to them over linkages and exporting could be effectively co-ordinated, while they also assume their responsibilities with regards to contributions towards revenues to the fiscus.

### 1.3.3 Zimbabwe Agenda for Sustainable Socio-Economic Transformation (ZimAsset 2013-2018) and Vision 2030

This is the current economic blueprint of the country which was developed after the July 2013 harmonised elections. The plan makes reference to “fostering strategic linkages and formalization among SMEs and Co-operatives across all sectors of the economy”. Since its adoption in 2013, the informal economy has further grown with little progress being realised to stem it. It is imperative to note that after the 30 July 2018 elections, the new president of Zimbabwe has promised to transform the country into a middle-income economy by 2030 (Vision 2030). Some of the strategies that the president has been articulating include:

- Strengthening of confidence in the financial services sector
- Accelerating re-engagement with the international community
- Revitalising agriculture
- Advancing beneficiation and value addition in agriculture
- Focusing on infrastructure development
- Unlocking small to medium enterprise potential
- Improving the investment climate

- Accelerating public enterprise reform
- Modernising labour laws and aligning of laws with the constitution
- Dealing seriously with corruption



Whether issues of informal economy will be dealt with under unlocking small to medium enterprise potential is yet to be seen. The president's vision has not yet been debated and consulted with people for them to articulate their aspirations and input into this vision. It is fundamental that this vision is subjected to public scrutiny for inclusivity, ownership and buy-in.

#### 1.4 Discussion on the Policy Environment

It is fundamental to note that the policy initiatives under different plans that the government developed over the years were focussed on certain categories of the informal economy. If the

definition of the informal economy is anything to go by, the very fact that different names apply to the informal economy also reflects how broad the informal economy is with different levels or categories in existence. The categories that the government was looking at revolve around small enterprises that can easily be identified e.g. those that are semi-regulated like small-scale miners, cottage industries, hairdressing salons and transport operators. It is those businesses that could easily be identified and supported. There are other informal economy activities that are difficult to provide resources for and whose operations are largely individual in nature and are so mobile that even tracing their operations is difficult. That is where the majority of the people, particularly in urban areas, are engaged in (see diagram below). These are mostly the unregulated activities. There are also illegal activities in the informal economy mostly depicted by gold panners, tree cutters and firewood vendors, foreign currency dealers and drug peddlers, among others.

For the authorities to enact policies targeted at improving the operations of informal economy dealers there is need to identify the different categories and levels of informalisation to make informed policy decisions. The current interventions seem to be only targeted at semi-regulated informal businesses. The unregulated ones are difficult to contain as these are mostly a result of lack of economic opportunities for the majority of the people. These are also the activities that have sustained livelihoods for people over the more than two decades of economic malaise.

## **1.5 Informal Businesses and Tax Policies**

The government has accepted that it is facing challenges of collecting tax from small business persons who should ordinarily pay income tax. These business persons, in most circumstances, do not maintain books of accounts and are, hence, unable to prepare relatively complicated income tax returns (MOF 2010). It is therefore agreed that business activities in the informal economy do not contribute to the revenue generation by central government due to their 'underground transactions.' As pointed out in the introduction, the informal economy does not pay taxes as most of them are not licensed and registered. The decade-long economic meltdown in Zimbabwe increased a number of informal sector activities leading to the government enacting tax laws to ensure that these businesses contribute to the national fiscus. It is, however, difficult to ascertain whether there has been an increase in revenue inflows after the introduction of the presumptive tax laws for informal businesses in January 2009. The Zimbabwe Revenue Authority has sighted the following businesses as those that constitute most of the informal activities and should pay presumptive tax. It is important to point out that the payment of presumptive tax does not exempt the presumptive taxpayer from the obligation to render Income Tax returns. This means the operators still have an obligation to pay PAYE, VAT, among other taxes.

### **1.5.1 Presumptive Tax for Informal Businesses**

Presumptive tax legislation was introduced to broaden the revenue base in view of the increase in informal business activities. Selected sectors of the economy were targeted to ensure the participation of informal businesses in tax payment in line with experiences of other developing countries. Details relating to the current rates and due dates of the various categories are shown below.



<b>Business category</b>	<b>Presumptive Tax</b>
Hairdressing Salon Operators	<p>Every operator of a hairdressing salon is required to pay presumptive tax amounting to US\$10.00 per chair per month.</p> <p>The full amount should have to be paid by the 20th day after the end of the quarter. Amounts not paid by the due date are subject to interest charges.</p>
Informal Traders	<p>All persons in receipt of rental income from an informal trader in respect of residential accommodation, premises or a place on which trade is carried on are required to recover an additional amount by way of presumptive tax equal to 10% of the rental and remit it to ZIMRA. This also includes local authorities.</p> <p>The amount should be remitted within 30 days from the date the amount is recovered. Failure to recover or remit the presumptive tax renders the lessor personally liable for the payment of the presumptive tax and a penalty of 100% of the amount due. Failure or refusal on the part of the informal trader to pay the presumptive tax constitutes a breach of the lease and allows the lessor to terminate the lease without notice.</p>
Small-Scale Miners	<p>With effect from 1st October 2014, small-scale miners presumptive tax was reduced from 2% of the gross amount payable to 0%, therefore no presumptive tax will be collected from small-scale miners.</p>
Cross-Border Traders	<p>Cross-border traders who import commercial goods into Zimbabwe are required to pay a presumptive tax equal to 10% of the value for duty purposes (VDP) of the commercial goods.</p> <p>The only exception is cases where the trader is registered with ZIMRA for income tax purposes and is up to date with submission of tax returns and payment of all taxes due.</p>
Operators of Restaurants or Bottle-stores	<p>Every operator of a restaurant or bottle store is required to pay presumptive tax amounting to US\$70 per month.</p> <p>The full amount should have to be paid by the 10th day after the end of the quarter. Interest is chargeable on all amounts not paid by the due date.</p>
Cottage Industry Operators	<p>Every person who owns, or is in charge of a cottage industry regardless of it being licensed, or not is required to pay presumptive tax amounting to US\$70 per month. Cottage industry operators include those in the furniture making or upholstery trade, metal fabrication and any other cottage industry that the minister may, by notice in a statutory instrument, prescribe. The full amount should be paid by the 10th day after the end of the quarter. Interest is chargeable where the amounts due are not paid by the due date.</p>

Source: Adapted from Zimbabwe Revenue Authority <http://www.zimra.co.zw>

## 1.5.2 Transport Operators' Presumptive Tax

Since the deregulation of the economy due to the IMF and World Bank-led structural adjustment programmes in the early 1990s, there has been an increase in the number of players participating in the transport industry. The industry is an easy entry sector where the majority of the citizens, educated or uneducated, could participate. As a result, there was a marked increase in the number of public transport operators and those operating taxi cabs as well as the notorious *mushika shikas* (the small imported vehicles with operators who flout road traffic rules at every instance). Most of the estimated more than four million Zimbabweans in the Diaspora have also found it easy to invest in this sector. The sector grew to the level where even authorities found it difficult to regulate their operations including their licensing and provision of permits to ply certain routes. The omnibus operators have even been found on the wrong side of the law employing unlicensed drivers who sometimes end up being involved in fatal road accidents due to negligent driving. The majority of these urban transport operators do not pay taxes.

In addition to these, there is also a group of transport operators who use trucks ranging from half tonne vehicles to more than 20-tonne trucks who have established themselves as available for movement of bulky goods. These operators have mostly registered their vehicles as private vehicles to evade the payment of licences and taxes as per category of their trucks. The government has attempted to target these operators to pay presumptive tax on the basis of the load of their vehicles. Below is an example of transport operators' schedule of tax payments.

### Transport Operators' Presumptive Tax

<b>Operators of:</b>	<b>Description</b>	<b>Presumptive Tax (US\$ per quarter for each vehicle)</b>	<b>Presumptive Tax (US\$ per month with effect from 1/01/2017)</b>
Omnibuses	8 to 14 passengers	150	40
	15 to 24 passengers	175	45
	25 to 36 passengers	300	70
	From 37 passengers and above	450	100
Taxi-Cabs	All	100	25
Driving Schools	Class 4 vehicles	500	100
	Class 1 and 2 vehicles	600	130
Goods Vehicles	More than 10 tonnes but less than 20 tonnes	1000	200
	More than 20 tonnes	2500	500
	10 tonnes or less but with a combination of truck and trailers of more than 15 but less than 20 tonnes	2500	500

Source: Zimbabwe Revenue Authority

### 1.5.3 Is presumptive tax for the informal sector the way to go?

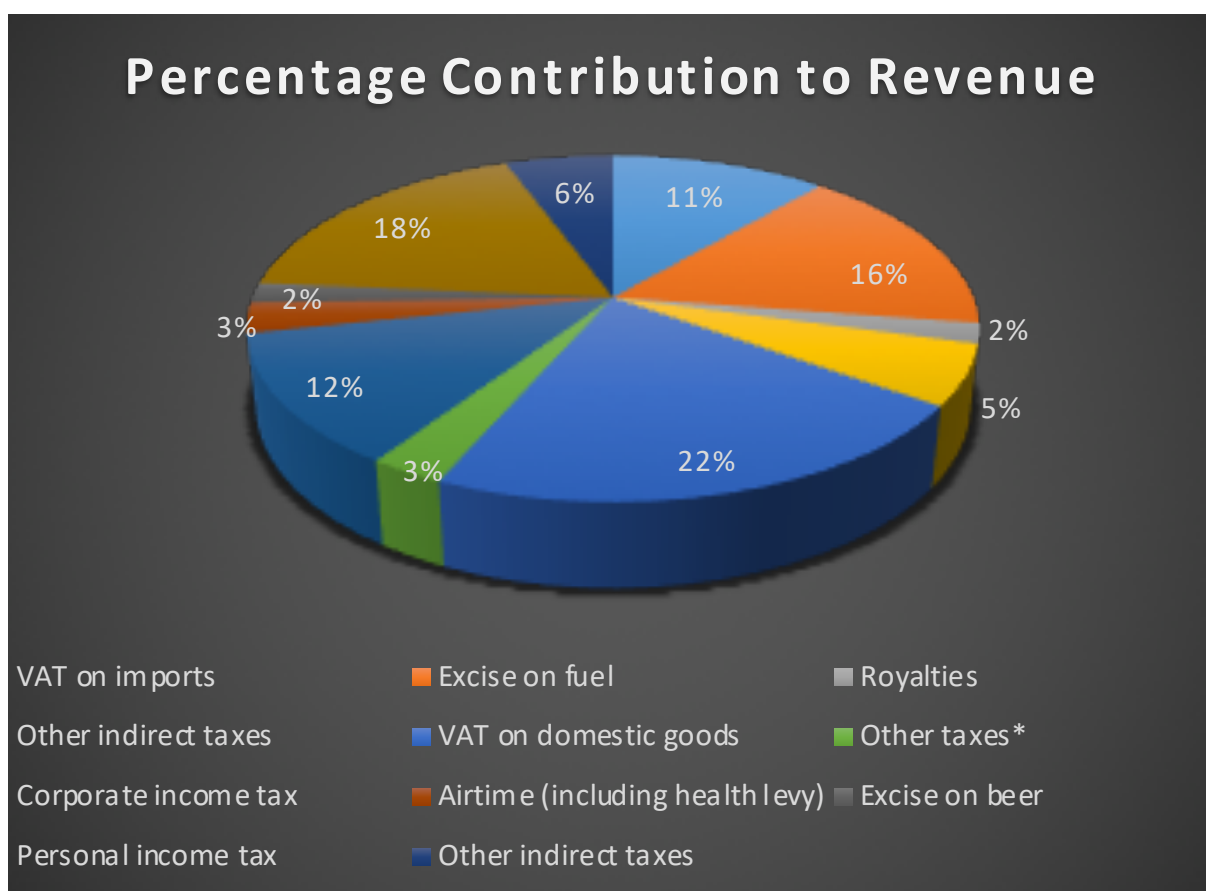
Where the desired tax base is difficult to measure, verify and monitor, presumed tax bases have been adopted especially in developing countries (Slemrod and Yitzhaki, 1994). This presumed tax base (presumptive tax) makes use of readily observable measures. For instance, instead of a tax on the income of taxi drivers, a tax may be assessed on the accumulated mileage value of the taxicab. For shopkeepers, the tax may be assessed on the square footage of the shop (Slemrod and Yitzhaki, Op. Cit.). It is therefore generally observed and agreed that presumptive tax is used primarily in economies where hard-to-tax taxpayers are the majority of the population, and administrative resources are scarce. This is basically the case in most developing countries where most businesses are informal and difficult to tax. But the questions that arise out of this method of taxation are:

Is this a fair system of tax, we are assuming that the government is making certain presumptions about the earnings of these operators, is this a good approach? What is the effect of the tax system on SMEs and the informal economy? Is the tax system designed to enhance SMEs growth? Does the system discourage the growth of SMEs?

Automatic answers may not be readily available but suffice to say that the amount of presumptive tax payable by such businesses like informal traders and cross-border traders being funds expressed as a percentage of income received is a noble idea. There is some form of transparency and accountability given the fact that usually there are papers that show income received e.g. in the case of cross-border traders tax declaration forms accompanied by receipts of purchased goods help to calculate the percentage tax that needs to be paid according to the table above. However, presumptive tax must not be punitive. When it was introduced, hair-dressing salons among others were required to pay US\$1500 per quarter meaning US\$500 a month. However, this was revised in 2015 to the current rates of US\$10 per chair per month. In the case of Zimbabwe where very few salons are managing to attract well-paying clients, it was difficult for such owners to meet that tax obligation. It was, therefore, important to revisit the figures and come up with appropriate ways like the percentage point system which applies to other informal business operators. If the authorities succeed in the implementation of this system, then a number of operators may close shop due to the unrealistic figures. This is also because the same businesses are also paying rentals to local authorities and utility bills like water and electricity. In the final analysis, the presumptive tax charged maybe a hindrance to the growth of the small businesses. This analysis is done in the context of the current economic situation prevailing in the country where most industries are operating below capacity. However, under different conditions, for example, where the economy is performing well and industry has the capacity to pay workers decent wages, the situation may be different. Presumptive tax of this nature may work depending on the performance of the whole economy and hence the spending power of the consumers. In the current environment, there is a need for innovative ways of taxing informal businesses without squeezing them out of business.

The Herald of 3 12 July 2017 carries a story which suggests that there is US\$2.5 billion dollars circulating in the informal economy without passing thorough the normal banking system. While it is difficult to substantiate this figure, official documents indicate that domestic tax resources now account for two-thirds of total revenue. Cumulative tax revenue collections for the first quarter of

2018 amounted to US\$1 159.6 million where the economy remained heavily dependent on Value Added Taxes (VAT) and taxes on income and profits, which contributed 35% and 34%, to total revenue, respectively (RBZ, 2018). It is important to note that contributions of presumptive tax to total revenues were estimated at US\$5 million for the 2018 fiscal year (MOF, 2017). In his budget statement for 2018, the then Minister of Finance, Honourable Patrick Chinamasa proposed to support initiatives to facilitate transition of informal traders and vendors to formal businesses. The minister proposed to ring-fence US\$2.5 million to finance construction of affordable premises and the purchase of machinery by sector associations registered with the Ministry of Industry, Commerce and Enterprise Development.



\*Other taxes include other income taxes, tobacco excise duties and vehicle carbon taxes.

Source: adapted from Reserve Bank of Zimbabwe Quarterly Economic Review, March 2018

The diagram above shows that although the authorities are enacting tax policies, the revenues coming from the informal sector are only negligible as far as the semi-regulated activities are concerned. The real informal sector, where the majority of the vendors are is not accounted for.

## 1.6. Transition from Informality to Formality

One of the key debates that have arisen in Zimbabwe over the past few years is the issue of

transitioning from informality to formality. This has been necessitated and given impetus by the ILO resolution R204 (Transition from the Informal to the Formal Economy Recommendation, 2015). The recommendation provides guidance to member states to:

1. facilitate the transition of workers and economic units from the informal to the formal economy, while respecting workers' fundamental rights and ensuring opportunities for income security, livelihoods and entrepreneurship;
2. (b) promote the creation, preservation and sustainability of enterprises and decent jobs in the formal economy and the coherence of macroeconomic, employment, social protection and other social policies; and
3. (c) prevent the informalisation of formal economy jobs.

Civil society in Zimbabwe, including labour unions and informal economy associations, have been advocating for the implementation of this resolution with the hope that a myriad of challenges facing the informal economy sectors and workers would be addressed. Organisations like the Zimbabwe Congress of Trade Unions (ZCTU), Zimbabwe Chamber of Informal Economy Associations (ZCIEA) and LEDRIZ have been imploring the government to work towards the realisation of the objectives of the resolution.

## **1.7 Conclusion and Policy Recommendations**

This contextual analysis of the informal economy has brought out critical issues around informality in Zimbabwe. The fact that most business activities have been informalised owing to deliberate pre-colonial policies that continued well after independence means that the informal sector has been oiling the economy of the country. This confirms, to a very large extent, the importance of the informal economy not only to Zimbabwe but to most if not all low-income countries. Notwithstanding this, the informal economy has received little attention from the authorities in terms of enabling policy environment to mainstream into the formal structures of the state.

The Government of Zimbabwe has a dedicated ministry to oversee the implementation of policies geared to strengthening the role of SMEs that have been considered to be the mainstay of the informal economy. The establishment of the Small Enterprises Development Corporation (SEDCO) in 1984 was a step in the right direction to ensure the provision of funding directed at small enterprises. However, no other clear-cut policies have been put in place to ensure the survival and mainstreaming of the sector despite its obvious contribution to employment generation, poverty alleviation and responding to the failure of the formal economy. Instead, most informal traders, vendors and street corner dealers run continuous battles with municipal police as they are seen as illegal operators who should be removed from the streets of various towns and cities.

The fines and charges the informal traders pay to the local authorities become their major contribution to revenues. Despite the fact that they have to declare their incomes and pay taxes, it has been proven that the informal businesses do not pay taxes. The government has introduced tax laws to compel some of these businesses to pay presumptive tax as a means of contributing to nation-building.

To ensure that the informal economy is adequately taken on board in national, regional and international policies, the following recommendations are being proposed:

### 1.7.1 Policy Framework

The absence of an articulate policy framework for formalising the informal economy at the national level means it will remain a major obstacle to ensure structured and legal recognition of informal business operators. It is imperative that the government develops this policy in line with the ILO Resolution R204 (Transition from the Informal to the Formal Economy Recommendation, 2015). A thorough consultative process with various stakeholders from the government, private sector, informal businesses and its sub-sectors, civil society, among others should be done to deal with the following issues:

- Capacity building
- Skills development
- Infrastructure development
- Regulatory environment
- Mainstreaming with local authorities
- Negotiation skills
- Taxation, among others

### 1.7.2 Supporting infrastructure

Most informal businesses operate from open spaces without proper facilities including sanitation and basic infrastructure. The construction of designated places for various activities that have been done in some parts of the country is a noble initiative. For example, the cottage industries, flea markets (Mupedzanhamo) and the vegetable market stalls in Mbare (Harare) are noble initiatives that should be duplicated throughout the country. However proper facilities need to be constructed to ensure access to basics like electricity, ablution services, water, telephone services, ICT services (internet and e-mail) among others.

### 1.7.3 Coordination of policies

The various government departments have different initiatives to support informal economy activities. There is need for an inter-ministerial committee to spearhead the coordination of various initiatives and mainstreaming them into national policies. The fragmented nature of different initiatives only works to further splinter informal sector activities, including its funding, monitoring etc.

### 1.7.4 Informal sector capacity building programmes to look at:

- Market analysis and promotion
- ICT development, technology transfer
- Skills development to improve their outputs

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# Young People and the Informal Economy in Zimbabwe

SAMUEL WADZAI

## 2.1 Contextualizing the Problem

The Zimbabwean social, political and economic landscape has gone through radical transformation in the last two decades. The turbid political environment has made Zimbabwe an unfavourable destination for investors, and domestic products have struggled to find markets. As a result, industries have closed shop and the formal labour force has been forced into the informal economy. Table 1 below illustrates how people have gone into the informal sector as a result of the shrinking formal employment sector between 1993 and 2011.

**Table 1: Employment Statistics by Type**

Classification	Formal	Informal	Formal	Informal	Formal	Informal
Year	1993		2002		2011	
Employed population	1 136 900	335 250	992 400	1 887 550	606 163	4 572 771

Source Saungweme T, et al 2014

Many governments in Southern Africa, and Africa as a whole do not recognise the importance of the informal sector despite its enormous contribution to the region's economy. For instance, the United States Agency for International Development (USAID, 2010) has estimated that the value of trade conducted by youth and women in the informal economy, in the SADC region is approximately US\$7 billion annually. Many governments, however, view it as a threat (Makombe, 2011: 44) as opposed to managing and nurturing it so that it becomes a secure and viable support system for people who cannot secure formal employment or for those who have identified an opportunity to create a business for themselves and employ others. According to King & Ayeh, 2003 et al, the failure of national governments to create jobs, coupled with the neoliberal policies of international financial institutions introduced in the late 1980s, which have resulted in de-industrialisation, has allowed the informal economy to grow and it is growing fast as more people are becoming involved in the sector due to job losses in the formal sector. The Zimbabwe Statistics Survey indicates that the youth and women have generally been the majority of the players in the informal economy.

According to the International Labour Organisation (ILO), the informal economy in Zimbabwe is characterised by poor working conditions. In its situational analysis of women in the informal

economy in Zimbabwe, the ILO further states that, in spite of the health and safety risks that abound in the informal economy, labour inspectors hardly visit such working premises mainly due to lack of resources and the absence of formal systems and structures for extending the same services to the informal economy as is done for the formal economy.

## **2.2 Statistics: Youth and the Informal Economy in Zimbabwe**

According to the Zimbabwe Labour Force Survey of 2014, 98% of the youth population aged between 15 and 24 years and 98% of the adult population aged 65 years and above were not formally employed. Further, of the 6.3 million employed population, aged 15 years and above, 5.9 million (94.5%) were considered to be in informal employment while 347 000 (5.5%) were in formal employment. The survey further states that in 2011, informal employment was 84%. Back then, 29% of the employed were youths aged 15 to 24 years. Of those youths, 98% were in informal employment. Fifty-five percent (55%) of the youths in the age group of 15 to 34 years were employed, of which 96% were in informal employment. The bulk of the unemployed are trading as vendors. This paper posits that the problems in the informal sector are an offshoot of the failure by the policy-makers to deliberately welcome the informal economy as the new employer and building-block to help ease the socio-economic challenges in the country.

## **2.3 A Critique of Government Programmes on Youth Empowerment**

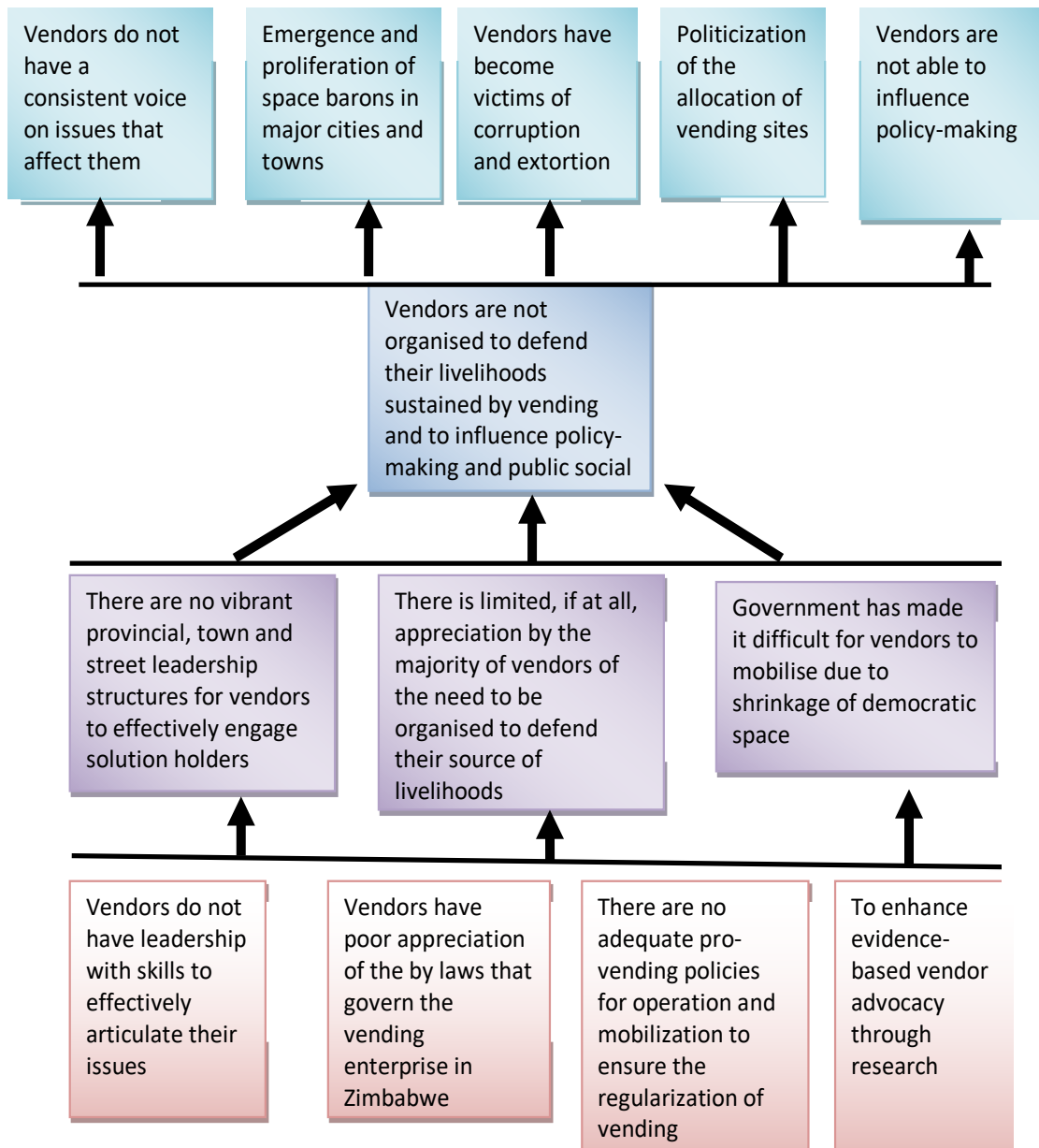
Through its various indigenisation and empowerment programmes, the Government of Zimbabwe has endeavoured to provide young people with quality education and access to health, among many other social amenities. Over the years, the Zimbabwean government has been applauded for its outstanding education system which has sadly not been accompanied by practical interventions to create jobs for the young people who continue to be churned out of universities and colleges. In order to assist youths with their various projects, the then Ministry of Youth, Indigenisation and Empowerment availed financial assistance through loans. The allocation of the loans has, however, been riddled with controversy as some young people accuse the government of favouring ZANU PF members at the expense of those suspected of belonging to the opposition. Furthermore, the management of the loans has been criticised for failing to meet the anticipated objectives, with some of the beneficiaries being accused of misusing the funds. In 2012, the Commercial Bank of Zimbabwe (CBZ), which also works with the Ministry of Youth, set aside \$35 000 for a young entrepreneur programme for seed funding and training for aspiring youth business ventures. Reports, however, indicate that the majority of the beneficiaries failed to pay back the loans due to a number of reasons, key among them being misuse of the funds.

The Ministry of Youth is mandated to achieve true empowerment of Zimbabwean youths and indigenous citizens. Its mission is to develop, promote and implement policies and programmes for the empowerment of youths and indigenous citizens in order to achieve sustainable and equitable development. The ministry has also taken the initiative to identify, acknowledge and celebrate young people whose innovation, resilience and enterprise has created employment and contributed to economic growth.

## 2.4 The Challenge of Disorganisation in the Informal Economy

Despite the informal sector players constituting a significant urban population, their issues remain peripheral, mainly due to disorganisation. This has largely impeded meaningful engagements with solution-holders, and they have failed to get public sympathy critical to triggering policy change. As a result of lack of public sympathy, policy-makers are unresponsive as the constituency does not pose a threat to their political power. Policies (written or otherwise), therefore remain repressive to the informal sector, providing opportunities for corruption and abuse of the law by enforcement agents. The lack of the organisation stems from a dearth of unionism by the informal sector players themselves, and partly the lack of leadership skills and lack of understanding of the constitution and statutory instruments governing the enterprise. Fig 1 below, depicts the problem tree for street vendors.

**Fig. 1: The problem tree for the vending community in Zimbabwe**



## 2.5 Involvement of Youth in the Informal Sector in Zimbabwe

Literature on the informal economy has shown that youth constitute the majority of the workers in the informal sector in almost all the developing countries. According to research findings by UNRISID (2010), because of the large proportion of the youth in the informal sector, there is often a tendency for them to be involved in erratic and often corrupt segments of the sector. In Zimbabwe, the percentages of youth representation in the informal economy have been attributed to a variety of factors. One of the major factors is the sector's easy accessibility and ready availability for youth participation. Research by Carr and Chen (2001) demonstrated that the connection between employment in the informal economy and being poor is often stronger amongst the youth than it is for the older generation. According to the same findings, the older generation's participation in the informal sector tends to be over-represented at the top segments of the sector while the youth are at the bottom tiers where they specialise in trading perishable items. This paper posits that, youth dynamics in the informal sector point to intricacies involved in the context of urban and informal sector development.

## 2.6 Challenges Facing the Youth Working in the Informal Economy

### 2.6.1 Exclusion from policy processes and a lack of appropriate legal and policy frameworks

Despite the fact that the youth are the majority in the informal economy, they are often excluded from policy processes and this exclusion manifests in different forms. Participation mechanisms and processes for the youth in the sector are often inappropriate, employing economic jargon or disempowering language with the youth being viewed in a negative light. This exclusion results in the formulation of top-down policies that do not address the specific concerns of the youth. For example, most policies governing the financial sector are not friendly to players in the informal sector. To open bank accounts, players in the informal sector are required to present too much documentation which they may not possess, even if they might have the money to bank. The requirements are mostly a result of policy pronouncements, which make the policy a hindrance to access to bank services by the informal sector players.

Many countries, especially in the SADC region, do not have appropriate legal and policy frameworks to protect and nurture the informal economy and to protect the youth as is the case in the formal sector. Where there is some form of legal framework, it fails to address the needs of the youth and the power dynamics at play in the informal economy (Mwaba, 2010; Steyn, 2011). The lack of appropriate legal frameworks exposes the youth to all manner of abuses, particularly from law enforcement agencies and officials who show little or no concern for the very laws they are supposed to uphold. This is expressed in various ways including police brutality, corruption and double taxation (ESSET, 2010; Chetty, 2012).

The Government of Zimbabwe still continues to use old colonial laws to manage the informal economy. These laws promote perceptions that informal economy workers are illegal and a

nuisance. Further, these laws allow city authorities to ‘forcibly remove any nuisance, obstruction or encroachment on streets or any public place.’ In 2017 the Ministry of Local Government threatened to deploy security forces to remove street vendors operating in the central business districts of major towns and cities in Zimbabwe.

### 2.6.2 Unfair competition

Youth working in the informal sector face multiple forms of competition from older players and large-scale companies. The generally low level of education and the lack of business literacy among the youth contributes to this significantly. It also means that they cannot have the same level of access to finance as the older players. Most youths use their own sources of income, which are frequently meagre, to raise capital for their businesses. This may be supplemented from their own savings as well as through borrowing from neighbours and families. The requirements for bank credit tends to be cumbersome and the youth are consequently side-lined.

The youth are also sometimes categorised as a high-risk group for credit. The lack of assets and capital required for collateral limits their potential to grow their business (Mwaba, 2010). Sadly, credit solutions in the form of micro-finance are no better. Like commercial banks, they are geared towards unfettered profits and they are in a position to exploit others. In the process, they trap the youth into continuous cycles of debt. Promoted by the architects of the neoliberal agenda, such models only serve the interests of capitalism at the expense of the youth in the informal economy.

### 2.6.3 Sexual harassment

Young women in the informal economy often complain of sexual harassment from both government and customs officials at the borders (Brenton, Gamberoni & Sear, 2013). Due to a lack of clarity on what is expected of them at the border posts, young women traders are taken advantage of by corrupt government officials in return for facilitating the entry of their goods. A worrying trend is that young women often do not talk about the sexual harassment they suffer, fearing they will be seen as party to their own harassment. Sadly, it is also known that young women traders or vendors sexually entice customs or government officials to ensure that their goods are given preferential treatment in terms of paying taxes (Brenton et al., 2013).

### 2.6.4 Unreliable transport system

The transport system in Zimbabwe is very unreliable and costly, hence young informal traders face difficulties in transporting their products and raw materials which are mainly sourced from the major cities – Bulawayo and Harare and across the national borders such in South Africa. Most young informal traders who are in business do not have transport of their own so they depend on public transport which is costly and unreliable.

### 2.6.5 Lack of access to equipment

Youth entrepreneurs in Zimbabwe have limited access to the equipment and infrastructure to use in their businesses. Some businesses are operated from dilapidated buildings and in the worst scenarios, under trees or plastic-made shades – a notable place is Magaba Market in Mbare, which is one of the oldest suburbs of Harare. Although the youth who operate in these areas are skilful and innovative, they tend to lose part of their market share as customers usually develop a negative perception and attitude about the products and services which are being produced and marketed in these areas.

### 2.6.6 Lack of information

Another challenge is that there is poor access to information regarding access to capital. Youth informal traders find it difficult to get information about the available investment funds. Even for those with such information, the processing itself is usually characterised by bureaucracy and corruption, thus, by the time loans are processed some economic opportunities will have been lost.

## 2.7 Strategies for Improving the Lives of Youth Working in the Informal Sector

There is need for a collective national acceptance of the informal sector as a new employer of the youths in the country. The Government of Zimbabwe has continued to lack the political will to align the relevant legislation to the new constitutional provisions. Amongst other Socio and Economic Rights, Section 64 of the Constitution states that every person has the right to choose and carry on any profession, trade or occupation, but the practice of a profession or trade may be regulated by law. Despite this, citizens continue to suffer from human rights violations. The informal sector remains uncoordinated and has not built effective solidarity structures to be able to engage and defend their source of livelihoods and the alternative economy that has sustained the economy as a whole.

There is need for the youth in the informal sector to build a coordinated voice in order to be heard by the solution holders at various levels. The disfranchisement and lack of coordination have exposed the group to land barons and political manipulation. The politicisation has multiple effects; allocation of operating marketing space on political party lines is exclusionary thereby leading to loss of potential source of livelihoods. Furthermore, the rental fees that are being paid to land barons and politicians daily are denying the country potential revenue, thus disempowering the informal sector players from demanding better service delivery and spaces to contribute to economic development.

Although the youth in the informal sector could have few resources in isolation, they can become a formidable source of resources when combined. Banks should thus engage the informal sector players and embrace the idea of fostering partnerships and clusters. Under this arrangement, informal sector players, through the assistance of banks, should pool their resources by bringing their capital and expertise together to make a meaningful investment. This will also allow them to gain knowledge and further their skills through knowledge transfer. If the youth informal traders come together to work as a group through registered associations such as Vendors Initiative for Social and Economic Transformation (VISET) this would assist in identifying them, assessing their challenges and making banks aware of their existence.

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# Gender Dynamics in the Informal Sector in Zimbabwe

JANET ZHOU

## 3.1 Introduction

Fifty-two percent (52%) of the Zimbabwean population is approximately women and girls, according to the population census of 2012. Despite being the majority in statistics, women and girls remain on the periphery of decision making positions, formal employment, politics and mainstream economic activities, thereby excluding them from key policy processes to transform their often vulnerable and threatened livelihoods. The country's economy is largely dominated by men who own the means of production in the formal sector due to patriarchal, historical and neo-liberal dictates that are largely skewed against women. The general gender inequalities in society have an effect on the different positions women and men occupy in the economy, currently, women have been marginalised, excluded and are mainly consumers in the mainstream economy. A scan of the economic policies and blueprints in place, such as the current Zimbabwe Sustainable Social and Economic Transformation of 2013 (ZIMASSET), Zimbabwe Investment Policy (2017) and trade policies that could enhance women's participation in the economy show that they are gender neutral and have no deliberate clear steps on how to respond to women's participation in the economy.

Zimbabwe has a dual enclave economy with a regulated but very small formal sector and a huge unregulated, unsupported informal sector where most women are working as cross-border traders, street vendors and in some instances without full ownership of the stalls from which they operate. According to Kanyenze et al (2011), one characteristic of such an economy is low labour absorptive capacity, resulting in a vicious cycle of underemployment affecting the majority of the labour force, especially women.

It is worth noting that although the vicious cycle of unemployment, underemployment and lack of decent work in the informal sector affects both men and women in Zimbabwe, women are disproportionately affected due to their gender roles and positions in society which has not made efforts to include them in spaces that matter when it comes to enhancing their participation in political, civil, social and economic spheres.

Since the turn of the millennium, the informal economy has grown at an alarming pace in Zimbabwe. There are quite a number of reasons attributed to this phenomenal growth but chief among them is the death of the formal job market with formal unemployment rate pegged at over 90% of the total share of employment according to the Zimbabwe Labour Force Survey of 2014. The government failure to create an economic environment conducive for employment



creation, coupled with neoliberal policies implemented in the early 1990s saw the rise in formal unemployment forcing many, including university graduates to turn to the informal sector for survival. Major cities and towns appear to be failing to cope with the huge proliferation of informal traders, in particular, street vendors, into the central business districts where business thrives and is generally profitable.

Studies in Zimbabwe and the region have shown that women and youth constitute the bulk of those surviving through the informal sector, for example, the SACBTA/SAT study (2014) on the Informal cross-border traders showed that over 70% of those who are involved in cross-border trading are women. The United States Agency for International Development (USAID, 2010) has estimated that the value of trade conducted by women in the SADC region is approximately US\$7 billion annually. As regards young people, the Zimbabwe Labour Force Survey (2014) report shows that there are 4.5 million young people aged 15-34 years who are economically active and 98% of the currently employed youth aged 15-24 years are in informal employment. Of the youths employed, 2.6 million are in vulnerable employment. There have been growing calls mainly from the informal sector organisations for the government and its agencies to fast track the formalisation and regularisation of the informal sector so as to eradicate the vulnerabilities and vagaries born out of the current disorganisation in the sector which disproportionately affects women. The author of this paper posits that the rise and growth of the informal sector in Zimbabwe has been anchored on an evolving gender department which has sometimes impeded on the growth of the sector and also helped to inform interventions by various stakeholders both at micro and macro levels. Furthermore, the author seeks to do an evaluation of how the gender dynamics in the informal sector have assisted in ameliorating or exacerbating some of the challenges highlighted above.

### **3.2 Defining the Informal Economy**

According to Women in Informal Employment: Globalizing and Organising (WiEgo), the informal economy is the diversified set of economic activities, enterprises, jobs, and workers that are not regulated or protected by the state. The concept originally applied to self-employment in small unregistered enterprises. It has been expanded to include wage employment in unprotected jobs. The International Labour Organisation (ILO) has noted that informal employment offers a necessary survival strategy in countries that lack social safety nets, such as unemployment insurance, or where wages and pensions are low, especially in the public sector. The concept of informal sector has been kept flexible in order to accommodate country situations and specific country needs. In practice, this has led to a collection of national statistics on employment in the informal sector, with countries reporting on their preferred variation of the criteria laid out in the international resolution. In Zimbabwe the unemployment rate is officially pegged at 11.3%, according to the ZIMSTATS data, as employment in the informal sector is considered as employment.

### **3.3 The Rise of Informal Economy and Women Participation**

The introduction of the Economic Structural Adjustment Programme (ESAP), in 1991, saw

the reconfiguration of the Zimbabwean economy. The programme, which was implemented during a severe recession brought about by Zimbabwe's worst drought in more than a century, made impressive strides in trade and domestic regulatory policy but failed to reduce poverty and unemployment as its architects and supporters had hoped it would. Critical fiscal reforms made slow and uncertain progress, keeping budget deficits high. This created uncertainty and shortages of capital for private producers, which delayed investment in new capacity and job creation. According to Kinyanjui (2014), ESAP had a widespread impact on poverty and the most unfortunate outcome of the programme was that it exacerbated the suffering of women, both in the rural and urban areas of the southern regions. As a strategy to lessen their suffering, women and men resorted to the informal economy.

According to the ILO, throughout the ESAP period, 1991-96, the informal economy continued to expand as more workers lost their jobs. It is at this stage that most workers, the majority of whom were women, could not keep their formal jobs due to the decline in real income. To that end, secondary jobs in the informal economy became a necessity in order to maintain a basic standard of living.

The high percentages of the female representation in the informal sector have been attributed to a variety of factors. Chen (2001) argues for the easy accessibility and ready availability of the sector for women as a major reason for the women's participation in the sector. Other factors forcing women into the informal sector are cultural norms, religious seclusion and illiteracy, thus the informal sector an easy sector to participate in.

According to a research that was conducted by Marilyn Carr and Martha Alter Chen in 2001, entitled *Globalisation and the Informal Economy: How Global Trade and Investment Impact on the Working Poor*, there is a direct link between employment in the informal sector and the levels of poverty experienced by an individual. The research holds that being poor is often stronger amongst women than it is for men. The findings further established that, though women participate in large numbers in the informal sector, men participating in the sector tend to be over-represented at the top segments of the sector while women are at the bottom tiers where they specialise in trading mostly perishable items. This is true in the Zimbabwean informal sector and has a negative bearing on the ability of women in the informal economy to participate effectively in decision-making processes or their capacity to contribute in the reconfiguration of the sector in a way that advances their individual or group development. They are faced with the dual challenge of being a mother faced with the socially constructed duty of fulfilling all the household duties and also competing with men who are confronted by little or no side callings such as attending to the household chores.

### **3.4 Characterizing the Work of Women in the Informal Sector in Zimbabwe**

#### **The Challenges**

##### **Sexual harassment**

In Harare, almost all women working in the informal sector are prone to varying degrees of sexual harassment irrespective of their status, personal characteristics and the types of merchandise they sell. The allocation of space to operate from has emerged as one of the most prevalent methods men employ to exploit or sexually harass their female counterparts.

The sexual harassment rampages against women make it difficult for women to work in the informal sector and their sexual and reproductive rights are violated with impunity. This applies across all sectors of informality. According to the membership data compiled by the Southern Africa Cross-borders Trade Association (SACBTA & SAT, 2014) out of the 52,574 registered members, 72% are women. This statistic is similar to the results of earlier research conducted in the SADC region which showed that 70% of cross-border traders in the region are women (USAID, 2010:2). This shows the feminisation of cross-border trading and the potential gender challenges likely to be faced by women at borders due to the lack of gender-sensitive border systems that characterise Zimbabwean borders. Brenton, Gamberoni & Sear, 2013 noted that due to a lack of clarity on what is expected of them at the border posts, women traders are sometimes taken advantage of and end up in sexual relationships with corrupt government officials in return for facilitating the entry of their goods while their male counterparts pay bribes. A worrying trend is that women often do not talk about sexual harassment, they fear they will be seen as party to their own harassment. Sadly, it is also known that some women traders or vendors offer sexual favours to ensure that their goods are given preferential treatment both at border posts and at stations where their goods would have been confiscated.

### Unfavourable conditions

Many informal economy workers operate under unfavourable conditions with no proper infrastructure, which affects both women and men, though with varying degrees. This is true for women cross-border traders and workers within rural and urban set-ups who operate as street vendors. Key issues in this regard include shelter, roads, toilets, water and sewerage, garbage collection and inadequate border infrastructure for cross-border traders. This is particularly problematic for women and undermines their socio-economic rights and it also compromises their health.

### Systemic exclusion

Typically, the orthodox (offshoots of the patriarchal society) mindset in the Zimbabwean society makes it difficult for a woman working in the informal sector to balance her domestic environment with her professional life. In some families, it may not be acceptable to work after six o'clock but when it comes to street vending, business thrives after the formal business working hours, between 6 pm and 10 pm. Those families that do accept these working hours may experience considerable anxiety about a woman's safety during those hours. Some husbands will bar their wives from working after 6 pm.

As a result of the 'jungle-like' nature of the informal trading enterprise in most cities, women street vendors are unable to acquire strategic and lucrative operating spaces. The emergence

of space barons and also the politicisation of the allocation of the spaces have exacerbated the problem. Consequently, the operating spaces occupied by women street vendors are open, and exposes them to harsh environmental conditions and do not respond to their feminine needs such as restrooms. Most commodities of trade such as fruits, vegetables and clothes are affected by weather conditions particularly rain and direct sunshine. In addition, as noted by the Vendors Initiative for Social and Economic Transformation (VISET), a vendor's human rights organisation, the women traders' goods are damaged, lost or rendered useless during regular skirmishes with municipal authorities, creating unrecoverable losses.

Furthermore, female street vendors face other diverse work environment health risks and due to exposure to hazardous work environments. Health services are either inaccessible or expensive. Unlike people in formal employment, where most men are employed, women in the informal sector do not have the protection of labour legislation and lack access to formal social protection measures such as insurance, disability, maternity, and unemployment benefits.

### Unfair competition

Women working in the informal sector face multiple forms of unfair competition from more established informal businesses often run by their male counterpart. According to Chen (2001), street traders often experience stiff competition from big economic players and women who are less advantaged compared to their male counterparts suffer the most. The generally low levels of education and business literacy among women contribute to this significantly. It also means that they cannot have the same level of access to finance as their male counterparts. Most women use their own sources of income, which are frequently meagre, to raise capital for their businesses. This may be supplemented by borrowing from their neighbours and families as well as their own savings. The requirements for bank credit tend to be cumbersome and women are consequently side-lined. Women are also sometimes categorised as a high-risk group for credit. The government recently opened a Zimbabwe Women Micro-finance Bank (ZWMB) and its accessibility by women in the informal sector is yet to be tested.

### Effects of archaic by-laws

Accessibility of by-laws is quite a challenge for women informal traders in Zimbabwe, thereby creating a gender gap between the women in the sector and their male counterparts. The Zimbabwean Constitution, which has an expanded bill of rights, provides for and guarantees social and economic rights. Its national objectives (e.g., sub-sections 13, 24, 64) support the informal sector players' efforts to earn livelihoods. However, women in the informal sector, like many Zimbabweans, are unable to reap meaningful relief from this new constitutional dispensation because of limited knowledge across the board. The Constitution requires that municipal by-laws be accessible to the public. However, the very legalistic and wordy nature of the by-laws makes it difficult to understand, more so for women who would have missed on a formal education due to gender discrimination from childhood. Offenders are, nonetheless deemed to know the provisions of these by-laws. Abele (2016), notes that some by-laws, like confiscation of goods without warning of street vendors who commit an offence, can be devastating to survivalist women informal traders who cannot easily replace their stock. Even if traders feel unfairly treated,

challenging by-laws in court, as well as litigation for actions of officials, can be intimidating and unaffordable for survivalist traders. As a first step advocacy work must be escalated by informal sector organisations who represent the informal traders for the review and re-alignment of these by-laws to the constitution, in instances where this may not yield positive results, the unconstitutional laws or by-laws have to be challenged in the constitutional court to be changed by the affected.

### Ownership trends

A glance on ownership in the informal sector shows that most stalls in most cities and towns are owned by land barons and these are mainly men who have access to finances to buy the spaces or have connections with the political elite who also target the informal sector as a viable political constituency. Due to the politicisation and women-unfriendly nature of politics in Zimbabwe, women usually shun platforms where stalls are demarcated and parcelled out to informal traders, leaving men in control of the means in the informal sector.

A visit to various sites in Harare and Bulawayo, particularly Mbare at the popularly known Magaba, Glen View Home Industry, Chitungwiza at Chikwana Shopping Centre and Nkulumane koSokusile shows a glaring disparity in terms of the number of men who are in the hard-core economic activities such as steel works and metal fabrication, carpentry and sofa production, and women who are at the periphery selling products like fruits and vegetables or cooking sadza to serve the men involved in mechanised work. This could be attributed to the different gender roles for men and women, where men are assigned to do the more mechanised and “hard” work while women are driven to the servicing of men through providing food. As noted earlier, the other reason is the lack of access to capital and skills to start up the more productive jobs in the informal sector.

## 3.5 Strategies to Alleviate the Challenges Faced by Women

The role of women in supplementing the family income through informal economic activities is ably put across by Visvanathan (1999) who highlights strategies which gathered women into solidarity groups for micro-financing, taking cognizance of the fact that most women do not have any forms of collateral due to their societal status. In Harare for instance, women operating at informal trading sites such as Market Square, Fourth Street, Copacabana and The Gulf Complex engage in self-organised social security and saving schemes in what is christened “MaRounds” – loosely translated to mean savings. These have proved to be an effective strategy with the propensity to increase women’s self-reliance and economic empowerment, which can lead to poverty alleviation and sustainable reconfiguration of the gender dynamics in the informal economy.

## 3.6 Reflections on Government Policies and the Impact on Addressing Gender Dynamics in the Informal Sector

Informal trade continues to be criminalised in Zimbabwe despite being the only viable source of livelihood in Zimbabwe. Derogatory public pronouncements by public officials, including senior politicians with the duty to transform the sector, have made it a more unpredictable source of

livelihood as informal traders are sometimes threatened and harassed as they carry out their business. Archaic by-laws continue to be applied to victimise informal traders and the authorities have not been responsive to the current economic situation obtaining on the ground.

Government efforts to economic recovery have not significantly earmarked improving the informal economy with the current “Zimbabwe is open for business” mantra mainly focusing on Foreign Direct Investment (FDI) and paying a blind eye to the informal economy, where most women are employed. This is a clear indication that the contribution of women in the economy, through activities in the informal economy, will remain far and in the periphery as the government focuses on formal economy resuscitation. By continuously focusing on FDI and formal businesses and incentivizing the same through such policies as the “ease of doing business”, the government is indirectly destroying the viability and opportunities of formalizing the informal economy and killing the opportunities to improve the work of most women who are in the sector.

The shortcomings of the macroeconomic frameworks that focus on GDP as a measure of economic performance cannot be ignored when looking at the gender dynamics in the informal sector. These frameworks totally ignore the contribution of women in the economy hence limiting targeted efforts to improve the work of women in the sector.

As a result of the contradictions in an enclave economy such as Zimbabwe and the failure to use gender lenses in developing pro-poor and gender-sensitive social and economic policies and the systematic exclusion of women in Zimbabwe, most women take part in the “informalised” market thereby feminizing the informal sector. In spite of this feminisation, the participation of men and women in the varying levels of the informal sector shows a systemic exclusion of women in the high value, high productivity sectors of the informal sector without any meaningful policy intervention to address the challenges.

### **3.7 Conclusion and Recommendations**

As long as the Zimbabwean economy fails to provide employment for the majority of the people, informal employment will remain an alternative means of survival in cities and towns. Even with economic improvements, the dual enclave economy is unlikely to disappear in a short space of time. There will still be many that depend on informal trading, particularly women, to sustain themselves and their households. Zimbabwe and its cities will be judged by the way they provide for those who trade in the streets.

Even though there have been acknowledgements of the contribution of women in the informal trade to local economies, there has not been a corresponding, demonstrated seriousness about improving their conditions of work and trade, save for the recently launched women’s bank which is anticipated to benefit women in Zimbabwe in terms of access to financial resources. Other initiatives such as micro-financing by the Reserve Bank of Zimbabwe remain inaccessible by women in the informal sector especially those in the street vending and cross-border trades who are sceptical about their capacity to pay back on high interests charged on the loans.

In order to improve the plight of women in the informal sector and to address the skewed gender dynamics between men and women in the informal sector, stakeholders including the government, development partners and the private sector must formulate structural and transformational policies that are pointed and targeted at improving the work of the women in the informal sector, particularly in raising the current women street vendors and cross-border traders into small businesses and entrepreneurs that are adequately supported. Though the following recommendations may not be the absolute panacea to the current gender challenges and dynamics in the informal sector, the government and stakeholders must holistically consider adopting them to address the challenges:

1. Address the general power dynamics beyond the informal sector – The exclusion of women in policy-making, productive employment and mainstream economic activities is based on the power architecture of patriarchy and plays a key role in how the informal sector is arranged and operates. As Kanengoni (2017), aptly surmises, power is about control of resources (financial and otherwise), ideas (especially those ideas that count and prevail), power is about access to information, it is about who has a voice and who is and is not able to speak and on what issues. Currently, women in general and in the informal sector do not occupy these spaces and do not have the privileges that come with power, as such there is need to relook at the power structures and begin to shift towards inclusivity and to ensure that women's voices, ideas and control of resources are at the centre of transforming the informal sector.

2. Address the deeply embedded shortcomings of the current economic models for economic recovery – they are exclusionary and perpetuate the plight of women in the informal sector as they are largely ignored in key developmental programmes. There is need for an alternative narrative that replaces the overemphasis on GDPs, FDI and enriching the formal sector to focus on the informal sector, local entrepreneurship and more on putting women at the centre of these initiatives.

3. Building the Women Agency in the informal sector – this is key in ensuring that women in the sector are empowered to effectively and meaningfully contribute to the economy. This can only be through targeting resources, information and support to this sector which has the majority of women playing a critical role.

4. Many trade and investment policies in Zimbabwe are gender neutral and what presents a problem is that they do not contain provisions to transform and grow the informal trade, let alone women in the sector. If women in the informal economy are to be promoted, there is a need to develop policies that specifically target them. The SADC Protocol on Gender and Development (SADC, 2008), which seeks to empower women and give them opportunities equal to their male counterparts, suggests the use of affirmative action principles as one of the many ways to attain gender parity. The Gender Protocol went as far as to request member states to enact gender responsive legislation that ensures equal opportunities for men and women in trade by 2015 (SADC, 2008, Articles 2&3). However, this remains a dream to be achieved both at regional and national level.

5. Creating a conducive trade and investment policy for a flourishing informal economy and more specifically, there is a need to promote an enabling working environment for women in the informal sector which is unique and adapted to the needs of local women to facilitate the growth of their businesses and to promote their safety and socio-economic rights. SAT and SACBTA (2014) note that, the policy, among other things, should create mechanisms that support women in their efforts to access capital, capacitating them in the business environment and protecting them from unfair competition with big economic players.

6. In terms of improving access to capital for women, policies should create measures to guarantee access to appropriate financing. All facilities that have been created for women to access finance should promote values that are different from those generally promoted by commercial banks which focus merely on making a profit. For such models to be successful, it is important to take into account the interests of women and work closely with them. Lessons can be drawn from existing, self-reliant community finance models such as 'Mukando', which many people, particularly women in the informal sector, have relied on for years. The intention should not be for government to take these over but to support and explore how these can be used for business purposes. This is also in line with supporting the "solidarity economies" which are key in self-sustenance.

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## Domestic Work:

### Straddling Between Formality and Informality in Zimbabwe

ISHEANESU CHIRISA

It is estimated that more than half of the world's population works in the informal sector and a huge component of such is represented by domestic workers. The numbers may continue to increase due to the ever-increasing cost of living and high levels of unemployment in the formal sector. It is observed that even though a substantial number of men work in the sector, this sector remains highly feminised. The majority of these domestic workers clean, cook, care for children, look after elderly family members and perform other essential tasks for their employers, tasks which are often viewed as undeclared work. Despite the important role they play, domestic workers are among the most exploited and abused workers in the world. The exploitation is closely linked to or is caused by the informal nature of this type of work. To a large extent, domestic work is not viewed as real work. The working conditions and remuneration are largely unregulated, as such there is absence of recognition of employee status and lack of minimum rights and entitlements. This paper seeks to discuss the scope of domestic work in Zimbabwe. It further seeks to provide a framework for understanding and evaluating issues of informality and equally scans opportunities and possibilities and sustainable strategies of formalizing this type of work in Zimbabwe.

#### 4.1 Introduction

Thousands of domestic helpers took to the streets of Hong Kong to demand justice for an Indonesian maid who was allegedly enslaved and tortured by her employers for eight months. Erwiana Sulistyarningsih, 22, was reportedly left unable to walk following eight months of abuse in the southern Chinese city and was admitted at an Indonesian hospital in critical condition last week after returning home.

Details of her torture sparked widespread anger across Hong Kong, and a second Indonesian domestic helper came forward to claim that she had suffered similar beatings and death threats at the hands of the same employers in 2010. Made to sleep on the floor, Erwiana said she worked 21-hour shifts, had no days off, was fed just a single bowl of rice a day and was beaten constantly, sometimes for no apparent reason at all.

Filipino maid in Kuwait was rescued after she was beaten by her employer's brother. In a Facebook post, the domestic worker named Vivian Perez said she was beaten by her employer's brother and sustained multiple cuts and bruises on her face.

Police in Dema, Zimbabwe have arrested a 31-year-old Seke woman, who fatally flogged her 20-year-old maid with an electric cable for refusing to disclose the man responsible for her pregnancy.

The above scenarios depict lived experiences and circumstances of a domestic worker. The International Labour Organisation (ILO) has estimated that there are at least 67 million domestic workers worldwide. This figure does not include child domestic workers and is steadily increasing in both developed and developing countries. Domestic work is defined as work performed in households and a domestic worker is accordingly defined as any person engaged in domestic work within an employment relationship. These workers generally provide services and goods that are necessary for the maintenance, upkeep and daily running of households at a family level. Thus the purview, scope and extent of such contracts remain in the private domain. Accordingly, in this form of employment, legal rules (labour law) which ordinarily govern employment relationships hardly apply. Employment rules seek to protect employees from encroachment onto their personal life, from economic disadvantages and from health risks associated with the exercise of a particular job. Thus put simply, labour law performs the social function of protecting employees by creating minimum rights for employees, such as working conditions, hours, protection from unfair dismissal and minimum wages.

With this background, it is now pertinent to question whether domestic work can be viewed as work/employment, especially as it comes packaged in an informal package. This work is largely for private households, unregistered in any book, and excluded from the scope of labour legislation. In some instances, there are overlaps between family relations and this employment. Of equal importance, is that domestic work often requires no special expertise or qualifications. The relationship between employer and employee is basically based on mutual trust and goodwill. This automatically removes it from the sphere of any regulatory frameworks or any public influence. Although this kind of work is highly informalised with regards to non-existence of pay slips, pension and other benefits, most employers of domestic workers provide clear rules of engagement regarding leave and off days, the work that needs to be done (job description), the dos and don'ts which become form of a code of conduct. However, the remuneration is not registered with any authority which makes them informal. While the terms of employment are there and clear in most cases, they remain uncodified. And also, the fact that domestic workers are recognised by law equally provides the employees with recourse at law in the case of infringement of their rights by the employers. However, in practice, such avenues are hardly pursued due to very imbalanced power dynamics of this working relationship.

Despite how informal domestic work may seem, the element of subordination appears central to it just as is the case in any form of work. It has been noted that the employment is concerned only with work or labour that is done from a position of subordination – the employee works under a command, authority and control of an employer. Often, in domestic work it is not easy to conclude whether or not an employment relationship exists. But due to the element of subordination, it becomes clear that domestic work is a form of employment. Thus, the relation between a nanny, domestic servant, house girl or gardener and owner of the household is typically a relation between a bearer of power and one who bears no power. The employer's superior position to give orders and directives to the domestic worker, who in turn complies speaks to an employment relationship.

### 4.1.2 Profile of a Zimbabwean domestic worker

In Zimbabwe, perhaps just as in many other countries, domestic workers often get very low wages, face excessively long hours, have no guaranteed weekly day of rest and at times are vulnerable to physical, mental and sexual abuse or restrictions on freedom of movement. Exploitation of domestic workers can partly be attributed to gaps in national labour and employment legislation, and often reflects discrimination along the lines of gender and social classes.

It is equally fundamental to note that due to the nature of these employment arrangements, i.e. in a small “family enclave” set up, the abuse of minors by domestic workers is high and on several occasions cases of sexual and physical abuse of minors at the hands of domestic workers have been reported. Reports of such abuses are a common feature in the media.

A 32-year-old Indonesian maid repeatedly abused a 14-month-old toddler in a Punggol flat for nearly two months - all because she could not get him to fall asleep, a district court heard yesterday. On various occasions, she pulled the baby up by his arm, held him upside down by his ankles, slapped him and even pushed his head.

A 26-year-old housekeeper is beginning an eight-year stretch in prison for sexually abusing her employer’s 14-year-old son and infecting him with a Sexually Transmitted Infection (STI). “There is an outcry that we must send maids to prison because there is a high prevalence of maids abusing young boys,” the magistrate noted. “At least he was 14 and not five. What’s aggravating is that you forced yourself on an innocent boy and infected him with an STI.”

Most domestic workers in Zimbabwe are women who come from rural areas to look for jobs in the cities. Men are also employed in the domestic worker sector mainly as gardeners or private guards. It is clear therefore that most of these domestic workers come from marginalised and poor backgrounds because of various factors, and therefore they may not be aware of their legal rights, leaving them prone to exploitation and abuse.

There is a trade union for domestic workers in Zimbabwe known as the Zimbabwe Domestic Workers Union which was formed in 1981. Despite the existence of this union, many domestic workers are not members. The Union has a membership of 1 500 against a potential membership of more than 500 000. Being a member of a trade union is particularly difficult for domestic workers because of the long hours they work mostly with no time off. Most of them get off on Sundays and the offices of the unions are closed. In practice, a lot of potential employers have resentment towards domestic workers who are members of such unions. Organizing domestic workers is also difficult because getting into people’s homes is an invasion of privacy according to the constitution.

## 4.2 Formalisation of Domestic Work

At the 104th Session of the International Labour Conference in 2015, the Recommendation 204 concerning the Transition from the Informal to the Formal Economy was adopted. Although the Recommendation is only of persuasive value, it remains important in its global context, as it acts as a guide for all countries in their work towards making full, decent, productive and freely chosen employment a central goal in their national development and growth strategy. The Recommendation stipulates in Part V:

18. Through the transition to the formal economy, Members should progressively extend, in law and practice, to all workers in the informal economy, social security, maternity protection, decent working conditions and a minimum wage that takes into account the needs of workers and considers relevant factors, including but not limited to the cost of living and the general level of wages in their country.

19. In building and maintaining national social protection floors within their social security system and facilitating the transition to the formal economy, Members should pay particular attention to the needs and circumstances of those in the informal economy and their families.

20. Through the transition to the formal economy, Members should progressively extend the coverage of social insurance to those in the informal economy and, if necessary, adopt administrative procedures, benefits and contributions, taking into account their contributory capacity.

21. Members should encourage the provision of and access to affordable quality childcare and other care services in order to promote gender equality in entrepreneurship and employment opportunities and to enable the transition to the formal economy.

The Recommendation 204 provides for a practical framework and guide towards formalisation. Formalisation of domestic work will not only provide for protection of labour rights but will also ensure coverage of social security schemes and other well stipulated benefits such as pension or medical aid. It will also see the employees making such contributions for their pensions or social security schemes, according to their capacity just as in the case of any other employees. The starting point towards formalisation of domestic work is the recognition of the existence of an employment relationship. Recognition makes this type of work governable and opens up access to regulations which provide protection of labour rights within this sector. The inclusion of domestic work in the scope of regulatory framework is equally critical towards formality. Thus there is need to review, adopt and enforce labour laws in Zimbabwe and equally employ other strategies to ensure inclusion and protection of all workers despite where they are placed.

### 4.2.1 Zimbabwe legal framework

Section 65 of the Zimbabwe Constitution provides for the protection of labour rights. In addition to this, domestic workers are covered by the Labour Act (Chapter 28:01). The Labour Act provides a framework of operation binding to both domestic workers and employers. Specifically, the Labour (Domestic Workers) Employment Regulations of 1992 (hereafter the Domestic Workers Regulations) regulate domestic work in Zimbabwe. The Regulations require every employer to place a domestic worker in the appropriate grade and pay a wage of at least the amount prescribed per given grade. The law outlines that no employee shall accept any amount less than the amount prescribed in respect of his/her grade. Guidelines on promotions and deductions of pay, benefits and public holidays are clearly spelt out in the Act (Chapter 28:01).

These Regulations clearly provide for grading and wages, hours of work, accommodation, transport, lights and fuel, payments for overtime, payment of wages, vacation leave, public holidays, benefits during sickness, contract and notice, continuous service, record of service, protective clothing as well as gratuities on termination of employment. Accordingly, the Regulations make domestic work to be recognised and formalised just like any other form of employment. As such domestic workers should be regarded professionally as provided for by the domestic worker's regulations specified under the Act despite the casual set-up of the employment environment.

While the Labour laws recognise and protect the rights of domestic workers, the Social Security law explicitly excludes them. The law provides that Every working Zimbabwean who has attained the age of 16 years and is under the age of 65 years, who is in permanent, seasonal, contract or temporary employment is obligated in terms of Statutory Instrument 393 of 1993 to be a member of the Pension and Other Benefits Scheme.

However, domestic employees and those in the informal sector are currently not covered by the scheme. This exclusion throws a dark shadow on the government's efforts to formalise domestic work. The problem largely remains with the mechanisms of enforcement of such provisions. Perhaps due to desperate circumstances that often face prospective domestic workers in Zimbabwe, they often decide to trade off any rights for security of tenure. In most cases, some have since acquiesced that such work comes with abuse.

### 4.2.2 Possibilities of formalisation in Zimbabwe

In its preamble, the ILO Transition from the Informal to the Formal Economy Recommendations, 2015 (204) (hereinafter Recommendation 204) acknowledges the high incidences of informal economies as a serious threat to the rights of the workers. Recommendation 204 points towards formality and attempts to facilitate transition from informality to formality thereby guaranteeing decent work. The transition is not an easy endeavour especially with the common socialisation that this is a private arrangement and any such process may be viewed as interference.

The initial step towards formalisation of any informal sector is recognition of employment contracts. It is through such relationships that employees gain access to the regulations meant to protect them. Recommendation 204 provides that workers in unrecognised or unregulated employment relationships should be recognised through national laws and regulations. In Zimbabwe there seems to be recognition through the legislative framework, however, glaring inadequacies are seen in the enforcement and implementation mechanisms.

Zimbabwe depends on informal employment as an important source of livelihoods for many people. Faced with a lack of employment opportunities in the formal sector, Zimbabweans have displayed great initiative to create jobs for themselves and the most common and ever available is domestic work. This is so because often no formal qualifications are required and training if needed, can be on job training among other things. This job has kept many people in employment and thus has helped to avoid high open unemployment despite adverse economic conditions.

Domestic spheres are largely not viewed as real workplaces. This is both in terms of attitude and approach by both parties involved in this type of work. Generally, there is a tendency to treat domestic workers as members of the family. Thus, the employee falls under the responsibility of the owner of the household. In some instances, such workers are treated as children, thus without the capacity to bargain in any form of a contract or question decisions of household heads. Most employers invite relatives especially young girls to come to the city and “help” with domestic chores. The propensity is that the work is done out of affection as opposed to fulfilling contractual obligations. This shows how employment relationships in the domestic sector are blurred. Consequently, this scenario poses challenges to formalise this sector. A paradigm shift towards how domestic work is viewed is necessary.

The requirement of the law for domestic workers should be contained in a contract of employment. Most domestic workers however work without a written contract of employment. In most instances, both employers and employees are not aware of this requirement. Equally worth noting is that the dynamics of power are tilted heavily in the favour of the employer such that it is almost impossible for the individual worker to insist on a written contract or bargain on any other work-related condition. Domestic workers might not know their rights or have the money for legal recourse in case of violations. Due to economic challenges, some might even prefer to retain jobs despite any violations of their labour rights or disregard of the provisions by their employers. The immediate option for most of them is to leave the employer and find another job.

It is equally difficult to enforce domestic workers’ legislation in Zimbabwe because the labour inspectorate is seriously underfunded and information systems still very poor. In addition, many domestic workers do not know their rights, so they are unable to demand protections from their employers.

Despite its contribution to households and the nation at large, domestic work is situated at the low end of the care economy – working some of the longest hours, for very low wages. These conditions result in part from high levels of non-compliance, fostered in part by high levels of informality, and low levels of collective organisation, which effectively legitimises discrimination of a female-dominated class of workers. Even when they are covered by the law, domestic workers

suffer severe decent work deficits due to societal perception of the value of their work. The unique feature of their workplace adds to their vulnerability because the state is reluctant to regulate private homes as workplaces.

Formalisation is a good move towards increased protection of labour rights for everyone as guaranteed in the Constitution. However, it is important to note that putting in place a regulatory framework is not sufficient. There are benefits on both sides of the approach for both the employer and the worker. Thus, it is important for the transition mechanism to be as less complicated, accessible and attractive to both as possible. The benefits of formality should be worthwhile to pursue. Coherent, contextual and inclusive strategies should be considered. The scope of law may require extension however in a more flexible way, to cover for domestic workers in a more elaborate manner. Registration costs or any payable levies should be very low and affordable. The process should be done in a manner that is relevant to the informal sector and both the employers and employees should be consulted. There has to be active and inclusive participation for greater buy-in from both ends. The need for information dissemination and awareness raising cannot be overemphasised. This means that both the employers and employees ought to be sensitised on the benefits of compliance.

### **4.3 Conclusion**

While domestic workers are recognised and protected by law in Zimbabwe, the situation on the ground speaks otherwise. However, putting legal frameworks alone is not adequate. Domestic workers continue to find themselves occupying a grey-zone between formality and informality. This puts them in a vulnerable position because they can be totally ignored on the false premise that their rights are protected by law. There is need for effective and appropriate mechanisms to monitor compliance and enforce the law. The need for a professional council or association for domestic workers which maintains a database of their skills cannot be overemphasised. Tied to this, it is important for such a council to offer training and certification so that domestic work can be viewed as semi-skilled. Admittedly a lot of recruitment agencies and trainers are coming up, but there is need for standardisation and registration with the relevant ministry of government. This will make it easier to monitor the sector. The exclusion of domestic workers from social security provisions clearly negates any efforts to protect their rights because social protection is a key component of formal employment.

The problems faced by domestic workers exist because so many domestic workers are from poor backgrounds, they often have little education and are isolated from other workers. This means both government and organisations of domestic workers have to make a concerted effort to educate domestic workers about their rights and to ensure that the rights are upheld.



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