

**A STUDY OF THE SELF-EMPLOYED IN THE URBAN
INFORMAL SECTOR IN HARARE.**

by

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Abstract

State failure in Zimbabwe has had a profound impact on the labour market. As job opportunities in the formal sector have shrunk due to the contraction of the economy, the informal sector has been showing rapid growth. The restructuring of the labour market has resulted in an informal sector that is much bigger than the formal sector, a drastic reversal of the situation that existed just after the country's independence in 1980. This growth in the informal sector has had the effect of keeping the reported unemployment figure in Zimbabwe at below 10 per cent. While this figure has been met with disbelief and derision both within and outside Zimbabwe, it is based on the application of the international definition of employment (ILO, 2008). This study analyses the impact of state failure on a segment of the informal sector - the urban informal sector self-employed and analyses how urban self-employment has grown and developed in a context of state failure. This study also explores how this segment of the informal economy has responded to and been impacted by the economic and political crisis in Zimbabwe.

The study found that state failure has had a large impact on the urban informal sector self-employed in a number of ways. This impact has largely been in the form of (a) opportunities in filling the gap left by the collapse of the formal sector after the imposition of price and foreign exchange controls; (b) increased competition from new, more educated, entrants who were opting out of (or could not get jobs in) the formal sector; (c) increases in the number of people employed by informal enterprises (the majority of whom were non-family members); (d) the crisis/failing state's increasing inability to enforce zoning and tax regulations.

The findings suggest that there have been a lot of new entrants into the informal sector. These new entrants seem to be younger and more educated. These new entrants seem to have made strategic decisions on location, types of products they sell and the way they run their enterprises.

The urban informal sector self-employed workers are not a homogeneous group. They exhibit differences in a number of areas for example, their age, the activities they are engaged in, their level of education, and the location they operate from. Zimbabwe's price and exchange

control policies exacted a heavy toll on the private sector with many formal enterprises collapsing as a result of these controls. These controls and the collapse of many formal sector enterprises presented numerous opportunities for economic rents and arbitrage. Although most of the respondents in the sample were generally happy with informal sector work, there were some who had clearly disproportionately benefited from state failure.

While the study does indicate that the urban informal sector self-employed entrepreneurs do absorb a number of unemployed people, with the informal sector thus playing a distributional safety-net role not only for the enterprise owners but also for their employees, the number of people employed per enterprise seems to be too low to substantiate the view of the informal sector being a significant employer in the economy (even a failing one).

The study concludes that the context of crisis/failed state has clearly created some opportunities for a segment of the population. These findings are largely inconsistent with a view that conceptualises the informal sector as an undifferentiated employer of last resort marked by low wages and difficult working conditions. While the informal sector is playing an ameliorative role as an income-generating safety net for most self-employed workers in Harare, the comparatively well-educated respondents selling high end products in the suburbs seem to have actually benefited from the conditions of state failure. The low salaries coupled with job insecurity in the formal sector have meant that the informal sector is increasingly viewed as a more preferable employment option, particularly for entrepreneurs. The returns from this type of activity have even encouraged a number of formal sector workers to increasingly participate in the informal sector to make ends meet. In a country where a formal sector worker's salary can barely cover the rent, let alone food and other expenses, the informal sector entrepreneurs in this study perceived themselves to be comparatively wealthy.

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DECLARATION

Submitted in fulfilment / partial fulfilment of the requirements for the degree of
..... , in the Graduate Programme in
.....University of KwaZulu-Natal,
Durban, South Africa.

I declare that this dissertation is my own unaided work. All citations, references and borrowed ideas have been duly acknowledged. It is being submitted for the degree of in the Faculty of Humanities, Development and Social Science, University of KwaZulu-Natal, Durban, South Africa. None of the present work has been submitted previously for any degree or examination in any other University.

Student signature

Date

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List of Acronyms

CSO	Central Statistics Office
DRC	Democratic Republic of Congo
ESAP	Economic Structural Adjustment Programme
GDP	Gross Domestic Product
GNI	Gross National Income
HBE	Home-based enterprise
ICLS	International Conference of Labour Statisticians
ILO	International Labour Organization
IMF	International Monetary Fund
LFS	Labour Force Survey
MDC	Movement for Democratic Change
NGO	Non-governmental organization
SNA	System of National Accounts
STERP	Short-term economic recovery programme
ZANU-PF	Zimbabwe African National Union – Patriotic Front

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Chapter 1: Introduction

The research is an exploratory study that investigates the characteristics of the urban informal sector self-employed in Zimbabwe's capital city and largest urban centre, Harare, as a response to the crisis/failed state. A review of the literature shows that there have been few studies that have explicitly looked at the characteristics of the urban self-employed under conditions of state failure. The early studies on Zimbabwe's post-independence urban informal economy mainly looked at this sector's potential for employment creation (ILO, 1984) and the impact of the economic structural adjustment programme (ESAP) on the informal economy (Mhone, 1995; Mupedziswa and Gumbo, 1998). The few studies that have looked at the impact of the current crisis on the informal sector in Zimbabwe include the ILO (2008) and the Luebker (2008) studies.

1.1 Work, employment, unemployment and state failure

1.1.1 What is employment?

According to Webster's online dictionary, work is the "the physical or mental effort directed at doing or making something". While work can be paid or unpaid effort, employment is usually effort that results in some form of payment. Although most people in developing countries draw a distinction between what is considered a "proper" job (i.e. a job in the formal sector) and informal activities, these are forms of employment if they result in payment. According to the ICLS (1982), employment covers those in paid employment or those in self-employment. In both these categories, there has to be some form of payment (in cash or kind).

Generally, services within households that are produced for that particular household's consumption are not included in the definition of production (SNA, 1993). The main reason cited for this is that if the "the production of personal and domestic services by members of households for their own final consumption [such as the preparation of meals, care and training of children, cleaning, repairs], all persons engaged in such activities would become self-employed, making unemployment virtually impossible by definition." (SNA 1993: para. 1.22)

1.1.2 Unemployment (standard and relaxed definition)

In the standard definition of unemployment, the person should be simultaneously without work, currently available for work and actively seeking work. The relaxed definition, is broader as it only covers the first two of the standard definitions requirements with people falling in this category sometimes called the “available non-seekers” (ICLS, 1998)

1.1.3 Informality

Informality is difficult to define. In a broad sense it refers to that segment of economic activity that is either unregulated or not properly regulated by the state (Garcia-Bolivar, 2006). Generally, these are productive activities that are almost invariably unaccounted for in a country’s national accounts. In spite of the plethora of papers on the subject, there is no consensus as to what the term ‘informal sector’ means. Some researchers have gone as far as calling for the replacement of this term. According to Fields (2009), there is no agreed-upon definition on what informality means and there seems to be a consensus that it means different things to different people, with some definitions being vague and others being quite comprehensive. The ICLS (1998) considers an operation to be informal if it is not registered in accordance with the country’s laws, commercial acts or tax laws.

In spite of the difficulties in building a consensus on what informality really means, this concept, with all its flaws, still remains useful in academic discourse. By making a distinction between formal and informal activities, we are able to get information about the nature and structure of employment in a country (ILO, 2008). Informality is measured on the basis of two distinct, but related definitions: (i) the enterprise-based definition focuses on production units of which there are three types – formal sector, informal sector and households; and (ii) the job-based approach that focuses on job attributes rather than enterprise characteristics. Due to its focus on the conditions of self-employed workers in the informal sector (rather than in households or in formal sector enterprises), the enterprise approach to informality will be used in this study.

1.1.4 Self-employment

According to Webster's online dictionary, self-employment is defined as "controlling own work: earning a living by working independently of an employer, either freelance or by running a business".

1.1.5 State failure

There is no consensus in the literature on what a failed state is, with many labels being used to define a dysfunctional state such as "crisis state", "collapsed state", and "fragile state" (Torres and Anderson, 2004). According to Zartman (1995) a state that can no longer provide core political, social and economic services to its people should be considered a failed state. The concept of state fragility has shifted from its initial focus on war-torn territories, to look at states that are not necessarily experiencing wars or violence and the emerging consensus is that state failure exists on a number of dimensions (Di John, 2008) such as social (e.g. health and education), political (level and depth of democratisation) and economic (e.g. level of development and income distribution).

1.2 The present study

1.2.1 Rationale

Zimbabwe has suffered from two major economic catastrophes since independence in 1980. The first one was the disastrous implementation of the structural adjustment programme in 1991, and the second one was the sharp economic decline that came about as a result of the political wrangling that started in 2000 and continues to this day – it is clearly a state in crisis. While Brett (2006) looks at the causes of the state failure in Zimbabwe and its impact on the economy in general, there is a dearth of literature on the impact of state failure on the informal sector. The existing studies are either old (Mhone, 1995; Mupedziswa and Gumbo, 1998) or if they were done recently, they tended to have a narrow focus (Kamete, 2004). Due to the lack of research that looks at the latest economic catastrophe and its impact on the informal sector which by all indications seems to have sustained the economy, policy makers and academics have unavoidably been forced to largely rely on anecdotal evidence. This study seeks to begin to fill the gap by providing a more comprehensive analysis of the

informal sector self-employed in the context of the recent crisis based on a sample of informal enterprise owners in Harare.

1.2.2 Study objectives

The broad objective of the study is to investigate the characteristics of the urban informal sector self-employed in Harare under conditions of state failure. Informal enterprises will be defined as small-scale operations that do not pay taxes. The specific objectives of the research are as follows:

- To investigate the characteristics of the urban informal sector self-employed in Harare (for example their gender, age, education levels).
- To analyse the characteristics of the enterprises owned by the urban informal sector self-employed (for example the activities carried out, the number of workers employed, profitability of the business).
- To try to understand the specific constraints faced by enterprises and enterprise owners in the informal economy in Zimbabwe.
- To understand the motivation of those operating in the informal economy. That is, do they prefer to operate in the informal economy vis-à-vis the formal economy, and if so, what are the reasons for this preference.
- To ascertain perceptions of formal sector employment and its benefits. In other words, would the informal sector self-employed prefer to be in the formal sector? What salary would entice a self-employed person in the informal sector to work in the formal sector as an employee?

1.2.3 Outline of dissertation

The dissertation begins by outlining the impact of state failure on employment structure and an outline of study objectives in chapter one. The relevant literature on informality is reviewed in chapter two. Chapter three presents the study research methodology. The study findings are presented in chapter four with chapter five synthesizing and discussing the results from the fourth chapter. Chapter five relates this study to other studies on informality and presents some recommendations for future research.

Chapter Two: The informal sector under conditions of state failure

A failing state's impact on the labour market is not only through changes in the employment structure and the concomitant expansion of the informal sector but also through changes in the way the informal sector itself is structured. With the notable exception of the Asian Tigers, many developing countries appear to be skipping the industrialisation phase of development inherent in the Kaldorian (1967) model due to a large and expanding services sector (Heintz, 2006). A growing informal sector, focusing on services and not manufacturing, seems to be a characteristic feature of developing countries and the literature suggests that state failure tends to not only fuel this growth but also change the way in which the informal sector is organised - a failing state's main impact is the shrinkage of the formal economy accompanied by a displacement of workers from the formal to the informal sector (ILO, 1998; Meagher, 1996; Ranis and Stewart, 1999). Informality in this paper will refer to activities carried out in urban areas by people or business units that fall outside the ambit of state regulation. Due to the dissertation's focus on the self-employed, the enterprise concept of informality will be used. A failing state is one that has failed, in one or more dimensions, to deliver the kind of services that are normally expected of it. A review of the literature shows that there have been few studies that have explicitly looked at the characteristics of the urban self-employed under conditions of crises/state failure. A number of studies have looked at the informal sector in general during times of usually transient economic crises, but there is a paucity of studies that have analyzed the impact of state failure on the urban informal sector enterprise owners.

The term *urban informal sector self-employed worker* will be used in this paper to refer to a person who operates a small-scale enterprise in an urban area that is not registered in terms of taxation laws and earns a living by working independently of an employer. Following international norms, informality in this paper will not include subsistence agricultural activities as these tend to be complex and are not normally included in informal sector statistics (see ILO, 1993). This literature review will first look at the concept of informality within the context of the political economy framework of crisis/failed states in the first section and then go on to look at the Zimbabwean context in the second section. Other than the expansion of the informal sector, two broad themes on the impact of state failure will be highlighted in the chapter – structural changes within the informal sector and the opportunities that this failure has created for a segment of the population.

2.1 Conceptualising informality

In spite of the plethora of papers on the subject, there is no consensus as to what the term ‘informal sector’ means. Some researchers have gone as far as calling for the replacement of this term. According to Fields (2009), there is no agreed-upon definition on what informality means and there seems to be a consensus that it means different things to different people, with some definitions being vague and others being quite comprehensive. There is therefore a need to replace this generic term with something else that is more precise and the use of the term “informality” should be discontinued (Fields, 2009). Hart (1973), one of the early pioneers in the study of the informal sector, saw the distinction between the informal and formal sectors as being largely due to state regulation. According to Hart (2006, p.25):

“The main message of the paper (Hart 1973) was that Accra’s poor were not ‘unemployed’. They worked, often casually, for erratic and generally low returns; but they were definitely working. Following Weber, I argued that the ability to stabilise economic activity within a bureaucratic form made returns more calculable and regular for the workers as well as their bosses. That stability was in turn guaranteed by the state’s laws, which only extended so far into the depths of Ghana’s economy. ‘Formal’ incomes came from regulated economic activities and ‘informal’ incomes, both legal and illegal, lay beyond the scope of regulation. I did not identify the informal economy with a place or a class or even whole persons. Everyone in Accra, but especially the inhabitants of the slum where I lived, tried to combine the two sources of income. Informal opportunities ranged from market gardening and brewing through every kind of trade to gambling, theft and political corruption.”

The assumption from the 1950s right up to the 1970s among researchers and policy-makers was that informalisation was a transient phenomenon that would disappear once the developing countries managed to transform their poor economies into modern ones (Altman, 2007). There was also the perception among researchers that the rapidly industrialising Asian economies confirmed this trend. By the early 1970s however, there was growing concern about the persistent high unemployment levels in sub-Saharan Africa that prompted the ILO to send a number of “employment missions” to Africa and other developing countries. The first such ILO “employment mission” was to Kenya in 1972. According to the ILO (1972:6), the informal sector was characterised by:

- Ease of entry
- Reliance on indigenous resources
- Family ownership of enterprises
- Small scale of operation
- Labour intensive and adapted technology
- Skill acquired outside the formal school system
- Unregulated and competitive markets

A number of theories that attempt to explain this process of informalisation have emerged. The different theoretical approaches to the informal sector differ mainly in two areas, firstly their views on the motivation and causes of informality and secondly on the way they view the relationship between the formal and informal sectors (Gerxhani, 2004). Although there are a number of theories that try to explain the process of informalisation, three broad approaches can be identified - the neo-liberal approach, the two-sector approach and the underground model.

2.1.1 Two-sector theory (Dualism)

Boeke (1942) is credited with coming up with the concept of the dual economy and social marginality in the early 1940s. To Boeke, the dual economy was made up of capitalist urban market economy and the rural, static and mainly agricultural system of production. To Boeke and other modernist theorists such as Lewis (1954) there was a “traditional” sector and a “modern” sector. Clearly, although they did not use this term, the traditional sector was viewed as the informal sector and that is why they argued that the informal sector would disappear with growth. When, in later years, the modern sector failed to absorb a large number of the masses moving from the traditional sector, the dualist took on the survivalist notion of informality. Essentially the view was that those in the informal sector were motivated by survival as the formal economy had failed them - similar views were adopted by the ILO (1972). Informality is seen as emerging from a situation of excess labour and the formal economy’s failure to cater for this excess that, as a household survival strategy, moves into the informal sector. In a crisis/ failing state there tends to be a sharp focus on this duality between the formal and informal sectors. The collapsing productive formal sector, whose labour absorptive capacity is severely impaired by the de-industrialization processes that

usually accompany crises in sub-Saharan Africa, is seen as giving rise to an informal sector – the employer of last resort.

While Harding and Jenkins (1989) criticise this theory for being descriptive rather than explanatory, their main concern is the assumption this theory makes about the informal and formal economies being separate and autonomous entities. The dichotomy between the formal and informal sectors is not always clear especially in developing countries and as Roberts (1989) outlines in his study of informality in Guadalajara, Mexico, opportunities for informal employment are found throughout all sectors of the economy, formal and informal and from the small micro-enterprises all the way up to multinationals.

In Uruguay, Fortuna and Prates (1989) also demonstrate that informalisation does not necessarily only emerge during recessions but can also emerge during booms. Critics of the two-sector theory do not see the informal sector as being merely made up of a set survivalist tasks but recognise the mutual dependency between the two sectors, a dependence that can take on various forms e.g. competitive or complementary.

2.1.2 Neo-liberal approach

By the late 1980s there was a shift in analyzing the concept of informalisation with the concept no longer having, as its main focus, the absorption of the urban unemployed. Researchers and aid agencies were now conceptualising it as an example of the superiority of markets (King, 1996). Unlike the public sector which was bloated and heavily reliant on government subsidies in many developing countries, informal sector companies came to be seen as dynamic and highly competitive entities that survived due to their efficiency without any help from government (King, 1996).

The neo-liberal tradition, with De Soto as one of the main proponents, perceives informality to be the result of “excessive state regulation” and informal activities are seen as a process of “deregulation from below” (De Soto, 1989). The main theme in De Soto’s work (1989) is that people in the developing world do not have secure property rights that, he argues, have been the main driver behind the successes of the Japanese and American economies. What is needed in the Third World is a system that allows people (e.g. shanty town dwellers and others in the informal sector - the budding entrepreneurs) to have legal rights to their property.

The argument is that too many government regulatory policies end up excluding other players who resort to informality. According to De Soto (1989), people in the informal sector are really entrepreneurs with great potential whose activities can make a major contribution to economic growth but find their entrepreneurial spirit thwarted by government rules and regulations or lack thereof - like a lack of property rights.

De Soto believes that the informal sector has a lot of potential to contribute to economic growth:

“If informal operators entrepreneurial spirit were legalised and nurtured rather than fettered and suppressed ... a burst of competitive energy would be released, living standards would start rising, international trade would increase, developing countries would service their huge and debilitating debts more easily” (De Soto, 1989:15)

This view, which is also supported by institutions such as the World Bank, claims that this exclusionary process is masterminded by vested interest groups (the mercantilists) who stand to benefit from the formal sector (through rent-seeking behaviour and protected markets). The primary objective of the neo-liberal theorists, therefore, is to release the informal sector players from what is considered excessive state regulation (Skinner, 2002). Clearly, the neo-liberal approach still retains the dualistic elements of the two-sector theory by continuing to view these two sectors as being distinct (Perry et al, 2007).

The neo-liberal approach has been criticised for exaggerating the role of property rights in economic development (Ahiakpor, 1998) and the amount of “capital” that can be “unlocked” from the poor’s assets (Gilbert 2002). Culpepper (2002) criticises De Soto’s thesis of giving property titles to the poor as “flawed” and “inherently biased against the landless and property-less tenants”. While there is a segment of the population that does move to the informal sector to pursue business opportunities (the ‘entrepreneurs’) especially during a crisis, the evidence seems to suggest that these are in the minority. Not everyone is an entrepreneur and the majority of people during times of crises seem to work in households, other informal enterprises or work informally in formal enterprises (ILO, 2008).

It would appear that even some shack dwellers' movements are against the individual titling of property and seem to support collective tenure systems - poor people tend to fall prey to the rich who usually displace them (by buying their shacks) once they are given title (see Brazil's Landless Worker's Movements and Abahlali base Mjondolo objections in Gravois, 2005). Implicit in Gravois's (2005) argument is that De Soto's panacea of giving title to shanty-town dwellers assumes entrepreneurial capability. There is no guarantee that once given property rights and borrowing capacity that the resultant borrowings will be used for business investment and not consumption, bearing in mind the difficult financial circumstances that these shanty dwellers already find themselves in.

2.1.3 The underground economy approach

By the mid 1990s the earlier dualist notions of the informal sector were giving way to a view that recognised the linkages between the formal and informal sectors. According to Meagher (1995), one of the researchers associated with this approach, informalisation is a process. This approach's primary focus is on the linkages that exist between the formal and informal economies and the level of integration between the two (Portes, Castells and Benton, 1989). The main areas of focus are the characteristics of informal labour, linkages between the formal and informal economies and the role of the state in the process of informalisation - in essence, this approach is a rejection of the dualistic approach to informality.

In analysing the characteristics of the informal economy, the underground economy approach uses Marxist ideas in examining class relations and gender dynamics that exist in this sector and also looks at the roles of marginal groups such as immigrants. It however, does not merely view informal sector workers as exploited wage labourers but outlines a more complex relationship between capital and labour with informal sector workers assuming different roles such as employer, employee and owner operator. It recognises the fact that there are linkages between the formal and informal economies and that the distinction between these two sectors is not always clear - it analyses the backward and forward linkages that exist between these two sectors and how these linkages operate (see also Chen, 2006; Kanbur, 2007; Valodia, 2007). In a crisis/failing state, with the collapse of most enterprises in the formal sector and the informal enterprises taking on some of the 'typical' formal sector activities, these linkages can be quite strong (Kamete, 2004). In fact, in failing states many informal activities are at the frontier of the formal/informal divide (e.g. sheet metal fabrication and the manufacturing of

farm equipment). While acknowledging the existence of these linkages between the formal and informal economies, Kanbur (2007) argues that these tend to be weak and this is the reason for the marginalisation of the informal economy.

The underground model seems to address the issues that are of particular importance in the analysis of the informal economy in Sub-Saharan Africa (Skinner, 2003) in general and crisis/failing states in particular. There is a dynamic and complex relationship between the formal and informal sectors and in a crisis/failing state the increasingly important role that the informal sector plays in the economy (its contribution to GDP, employment and the economic activities carried out in averting a total collapse of the state) tends to significantly blur the dividing lines between the formal and informal sectors.

2.2 Crises and state failure: impact on informality

This section outlines the concept of state failure and reviews the literature of its impact on the informal sector. There is no consensus as to what a failed state is (Brett, 2006). There are, in fact, many labels that are used in describing dysfunctional states such as “crisis states”, “collapsed states”, “fragile states“ and “countries under stress” being some of them. The differences in the labels mainly stem from the way different researchers conceptualise the problem of state malfunction (Torres and Anderson, 2004). While the literature is replete with many definitions and categories of state failure, this failure can occur in a number of different dimensions such as economic (e.g. level of development and income distribution), social (e.g. health, education) and political (e.g. level and depth of democratisation, ability to legislate and enforce regulations).

Different states fail in different ways and on different dimensions. It is clearly problematic to use the same broad category of state failure when referring to Somalia (a completely failed state) and Equitorial Guinea or India that are also considered failed states on certain dimensions (Di John, 2008). A useful example would be Zimbabwe, which has clearly failed on a number of dimensions (e.g. health, education, selective enforcement of regulations) but still continues to function due to the existence of other, perfectly functioning sub-systems (e.g. a functioning financial system with a relatively sophisticated stock exchange, a loyal security establishment that is still capable of brutally suppressing dissent and protecting territorial integrity etc.).

The main impact of an economic crisis on the labour market is the fundamental rearrangement of a country's employment structure with an increase in informalisation. (see Heintz, 2006:16 on the Asian financial crisis). There is strong evidence from the literature that the informal sector tends to show strong growth during periods of economic crisis (Dimova et al, 2009). Using panel data from 1995 and 1997 Bulgarian Integrated Household Surveys, Dimova et al (2009) found that the informal sector grew from 12.5 per cent of the population before the financial crisis of 1996 to 47 per cent of the population after the crisis.

Meagher (1995) in a study on crises and employment in sub-Saharan Africa noted that although there were large-scale job losses in the formal sector as a result of structural reforms, people who lost their jobs did not normally join the ranks of the unemployed but moved to the informal sector. This evidence of the movement from the formal to the informal sector during times of crises is consistent with the survivalist notion of the informal sector being a residual sector and employer of last resort. This notion holds that workers do not ordinarily choose to move to the informal sector but do so out of necessity. Research evidence does suggest that informal sector workers tend to earn less and are more prone to poverty than workers in the formal sector (Suharto, 2002). The situation is somewhat different when one looks at the informal sector self-employed. The evidence suggests that in developing countries, the informal sector self-employed (the entrepreneurs) tend to earn more, on average (and exhibit a lower poverty risk), than formal sector workers (Heintz, 2006).

The rapid expansion of the informal sector is also marked by changes in women's labour force participation. Although trends show a general decrease in the level of men's labour force participation and an increase in the level of women's participation in the labour force participation in many parts of the world (Heintz, 2006), crises tend to accelerate this. Women seem to be disproportionately negatively affected by economic crises and their participation in the informal sector usually has the effect of doubling their workload – their unpaid domestic chores coupled with increased participation in income generating activities trend (Mupedziswa and Gumbo, 1998).

During an economic crisis, workers in the informal sector tend to be affected by increased competition from new entrants resulting in lower profit margins (Mhone, 1995). These new entrants are usually retrenched workers, new entrants on the labour market or people migrating from the rural to the urban areas. Rural-to-urban migration can be particularly

strong during crises so as to avoid rural poverty - studies have shown that incomes, on average, are higher in the urban informal sector than they are in the rural informal sector (Heintz, 2006). There is evidence that the increased competition due to new entrants into the informal economy, coupled with depressed demand, especially for non-food items during periods of crises, does exert a financial strain on urban informal sector workers (Mhone, 1995). This financial strain is exacerbated by the generally low levels of savings among informal sector workers (Mupedziswa and Gumbo, 1998; Suharto, 2002).

State failure does result in new patterns of entry into the informal economy. In a study of Nigeria's informal sector growth due to the crisis resulting from structural reforms, a point that was highlighted was the increase in the number of entrants with a post-secondary education and university degrees (Meagher and Yunusa, 1996). These new, more educated, entrants can change the nature and scope of activities carried out in the informal sector with some new activities being clearly 'atypical' in the informal sector as it is understood in developing countries - activities such as sheet metal fabrication, the manufacturing of farm equipment, the importation, sale and after-sales support of sophisticated electronic equipment are clearly at the frontier of the formal/informal divide.

While the structuralist 'informalisation' approach views the growth of the informal economy during crises/state failure as part of a 'restructuring strategy' on the part of the formal sector (Meagher, 1995), state failure can also have structural consequences, both negative and positive, on the informal sector. These structural changes are usually in, firstly, the way employment relationships are structured within the informal economy and secondly, the increasingly dynamic relationship between the formal and informal sectors.

Although there is a dearth of research on the crisis/failing state's impact on the informal economy, there is some evidence suggesting that instead of each unemployed worker forming her own enterprise, there is usually an increase in the number of small enterprises, each employing a small number of people (Kazimbaya-Senkwe, 2004) – this indicates that there is increased clustering even at the lowest rungs of informal activities during crises. Although the research has indicated an increasing number of family members being employed during crises, in a failing state there is bound to be an increase in the non-family members employed by informal enterprises due to the contraction of the economy. Clearly this could be a way of seeking productivity gains in a highly competitive sector given abundant, cheap labour – it

makes sense to employ qualified non-family members who are more productive. The new informal employers (the entrepreneurs), on average, have higher earnings and enjoy a better standard of living than they would as employees in the formal sector. For the vast majority of informal sector workers who are actually employees in these enterprises, wages tend to be low and the working conditions poor (see Heintz, 2006 for Brazil and Kenya examples). The gap between the high earners and the low-income earners within the informal economy also tends to widen during crises reflecting an increase in inequality (Meagher and Yunusa, 1996).

Central to most studies on the formal/informal sector divide in the literature is the issue of government regulation (Hart, 2006; Kanbur, 2009; Johnson et al, 1997; De Soto, 1989). Government over-regulation in a normally functioning state seems to have the effect of increasing transaction costs and therefore pushing companies and individuals to try and reduce these costs by informalising. Johnson et al. (1997) provide evidence that increased government regulation does lead to an increase in the size of the informal sector in developed countries. Kanbur (2009) argues that it is the nature of regulation enforcement that impacts on economic activity - there are differences in the extent to which governments enforce regulations and there are varying levels of enforcement even within a particular state.

The growth of the informal economy in the Democratic Republic of Congo, Somalia and in some respects Zimbabwe, India and a number of other developing countries can be attributed to the state's inability and, in some cases, unwillingness to regulate the conduct of enterprises (e.g. ensuring registration and tax compliance) – it represents state failure on a particular dimension, regulation. An example of over/under regulation paradox in a crisis/failing state is the implementation of strict price and foreign exchange controls that are usually implemented in an effort to keep prices low in the face of rampant inflation. These measures almost invariably create a lucrative informal sector where scarce, controlled commodities are sold and foreign currency traded. Corruption becomes endemic as the obsession with controls on the one hand is not translated into the prosecution of usually influential people breaking these controls on the other - regulators are bought off and this represents one of the major failures in the implementation of regulations in a crisis/failing state.

There is evidence suggesting an increase in both backward and forward linkages between the formal and informal sector during times of crises/state failure. While informal sector business units tend to generally rely on the formal sector for inputs required in manufacturing and

goods for resale (Valodia, 2007), the relationship during crises seems to be more dynamic with the formal sector also showing increasing reliance on goods from the informal business units for resale (Kamete, 2004).

Dramatic changes in the structure of employment, particularly the expansion of the informal sector (and its increasing contribution to output) seems to be the greatest impact that state failure has on the economy. Instead of the essentially supportive and supplementary role that the informal sector plays during normal times, it is usually the only way that people can sustain their livelihoods during times of sustained crises (Meager, 1995). There is some confusion in the literature about the impact of crises on unemployment with contradictory positions and figures emanating from researchers. Clearly, during crises, people do not just sit at home doing nothing after being laid off, if they did so they would starve as most states in sub-Saharan Africa do not have social security schemes and other forms of social protection programmes (Meagher, 1995). The issue of accounting for employment and the reasons for low reported unemployment figures in crisis/failing states such as Zimbabwe will be addressed in the next section.

Although there is strong evidence to suggest that the growth of the informal sector during crises/state failure is due to the desperation of workers who have a limited range of options, it is false to assume that all workers in the informal sector are there involuntarily; some people choose to join this sector for a number of different reasons (Maloney, 2001). In a failing state, the wages from formal employment may be too low or too erratic to sustain livelihoods and this is indeed the case in Zimbabwe. There are also many business opportunities that may arise as a result of state failure and being tied to an employer in the formal sector may preclude an entrepreneurial worker's participation in more lucrative income generating activities in the informal sector. The literature on state failure's impact on the informal economy essentially adopts a dualistic framework in studying the way the formal and informal economies are related. Due to the increasingly dynamic relationship between the formal and informal economy during times of crises/state failure and the motivation on the part of the state and various interest groups in perpetuating at least some aspects of this failure, the analysis needs to be located in a broader political economy framework that looks at the motivations of the urban informal sector self-employed, business opportunities and constraints that this failure has created.

2.3 Zimbabwe as a failing state: background to the crisis

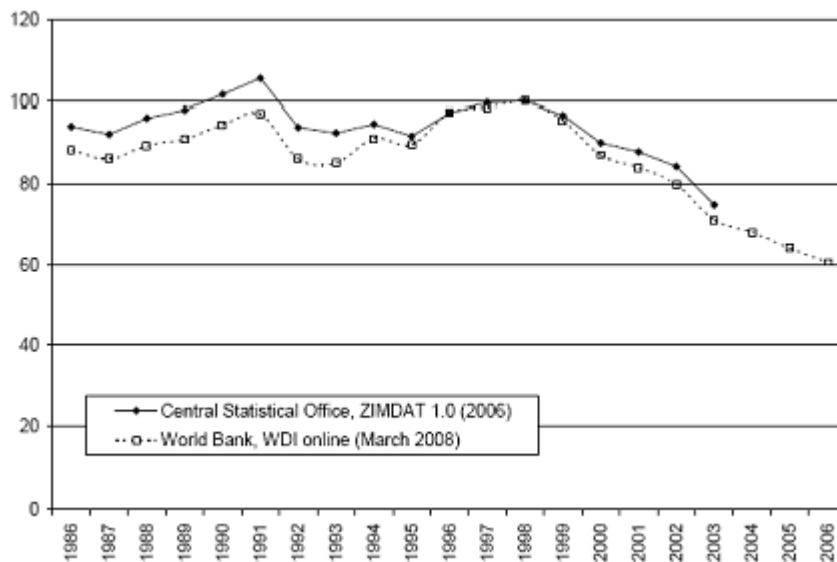
The crisis in Zimbabwe clearly demonstrates the complex interplay between the political and economic spheres in the overall performance of a country's economy. When the hegemony of Zimbabwe's ruling party, ZANU-PF, was threatened by firstly, those from its own ranks in 1997 and then secondly, the newly created political party (MDC) in 1999, it embarked on a series of irrational programmes whose cumulative effect was to severely damage the economy (Rotberg, 2000). The Zimbabwean crisis actually began earlier, with the introduction of the neo-liberal reforms in 1991, the economic structural adjustment programme (ESAP).

Zimbabwe's state-led economy characterised by bloated state monopolies, most of which were filled with party loyalists, stringent labour laws which made it very difficult to fire unproductive workers, price controls, a large civil service and exchange controls were having a negative impact on investment, tax revenue, exports and employment creation according to the World Bank and the IMF - ESAP was the prescription from the Bretton Woods institutions and these reforms were duly implemented in 1991. The reforms' results were not very encouraging - this was the first crisis. A series of other crises followed – Zimbabwe's participation in the DRC (Democratic Republic of Congo) war, the payment of generous gratuities to war veterans, the violent expropriation of land from white farmers, Operation Murambatsvina (destruction of informal structures by government), the destruction of industrial capacity and political violence (Mamdani, 2008; Shaw, 2003).

The farm seizures not only wrought havoc in the vibrant large-scale commercial agricultural sector but also, more importantly, negatively impacted an industrial sector that had numerous backward and forward linkages with the agricultural sector (Sachikonye, 2003). The government resorted to printing money as government spending continued unabated and this resulted in unprecedented levels of inflation culminating in a reported inflation figure of 231,000,000 per cent in June 2008 industries operating at 30% of capacity, massive layoffs and empty shelves in most shops. Political tensions continued throughout 2008 until a South African brokered unity government made up of the two MDC factions and ZANU-PF was installed in March 2009. Soon after the installation of the unity government, the Zimbabwe dollar was suspended and the economy was dollarised (STERP, 2009). While it is not the aim of this chapter to provide an in-depth analysis of the current economic situation in Zimbabwe, Figure 1 below shows that GDP per capita actually grew from 1988 to 1991. There was a

downturn after 1991 and this can be attributed to the first crisis - the implementation of ESAP (ILO, 1993) and the drought. The slow recovery of 1996 was hampered by the other crises mentioned above (DRC war, gratuities paid to war veterans and the chaotic land reform programme) and the economy never recovered from these crises.

Figure 1: Real GDP per capita in Zimbabwe, 1986-2005 (Index 1998 = 100)



Note: Index figures were calculated on the basis of the series “GDP per capita average annual growth rate at constant prices” (CSO) and “GDP per capita growth (annual %)” (World Bank) setting the index figure for 1998 at 100.

Sources: CSO (ZIMDAT 1.0, 2006) and World Bank (2008, WDI online) in ILO (2008)

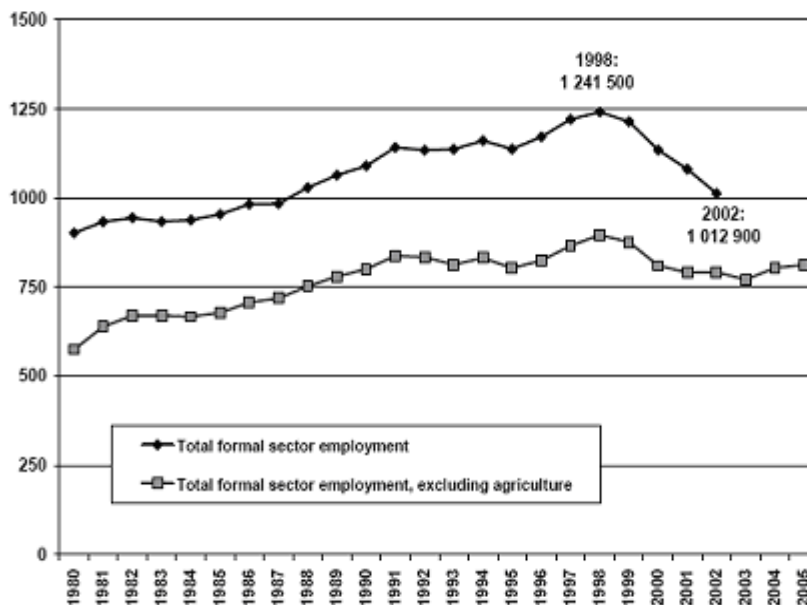
2.4 The urban informal sector in Zimbabwe

Mhone (1995) argued that the pre-Independence government which had outlawed the formation of small and medium scale enterprises in urban areas meant that Zimbabwe did not have the kind of informal sector common to many Third World countries as most of them were prohibited by the colonial regime. This prohibition of African-run small enterprises was not only to ensure a steady pool of labour for the colonial capitalists but also discourage competition that would arise from having these enterprises (Mhone 1995). This was in contrast to many African countries where the informal sector was allowed to flourish even under colonialism. At Independence from Britain in 1980, Zimbabwe’s urban informal sector was small absorbing about ten per cent of the labour force (Mhone, 1995) but by 2003, it was absorbing over 70 per cent of the labour force and its contribution to GNI had grown to around 60 per cent – one of the highest in sub-Saharan Africa (Verick, 2006).

While there was some growth in the rate of employment (a growth rate of 2.2 per cent per annum) during the period between 1980 and 1991 as shown in Figure 2 below (ILO, 2008), after 1991 formal sector employment growth could not keep up with the new entrants into Zimbabwe’s labour market (Ncube, 2000).

As Portes et al (1987:36) clearly outline “the process and profile of the informal economy are historically specific, depending on the relationship between the state, capital and labour in each country”. Zimbabwe has suffered from two major catastrophes in its recent past - the first was the disastrous implementation of ESAP and the second was the collapse of the economy which started in the early 2000s due to political wrangles.

Figure 2: Formal sector employment in Zimbabwe, 1980-2005 (in thousands)



Note: Data for 2005 refer to March 2005, all other years are annual averages. All data exclude private domestic employees.
Source: CSO, Labour Statistics 2004 and Quarterly Digest of Statistics in ILO (2008)

Most of Zimbabwe’s early research in the informal sector looked at the impact of the first crisis, ESAP’s impact on the informal sector (Mhone, 1993, Mupedziswa and Gumbo, 1998) and not much research has been conducted on the impact of the latest, more serious political/economic crisis. Using convenience sampling, Mhone (1995) interviewed 525 respondents (both enterprise owners and employees) from Zimbabwe’s three major urban centres of Harare, Bulawayo and Gweru. Mhone argued that while informal sector activities had cushioned workers from poverty, these activities had not had an impact on economic growth and productive employment and ESAP’s impact had been negative on this sector.

Mupedziswa and Gumbo's (1998) longitudinal study that had been first initiated in 1992 focused on ESAP's impact on women urban informal sector traders and had an original sample size of 172 respondents. This study confirmed Mhone's (1995) findings of ESAP's negative impact on the informal economy. While ESAP's main impact was given as increased competition and declining income among informal sector respondents in Mhone's study, Mupedziswa and Gumbo (1998) cited changes in household structure as ESAP's main impact with women's contribution to household expenditure showing a noticeable increase which they attributed to rising unemployment levels (as a result of retrenchments) among the male breadwinners.

One more recent study by Kamete (2004) looked at home industries in Harare's high-density areas and focused on the characteristics of these enterprises. Using convenience sampling, a semi-structured questionnaire was administered to ten enterprise owners to establish the workings of home industries, their markets and marketing characteristics and their contribution to urban development. Kamete's study found that home industries had a positive impact on the urban system through employment creation and the provision of affordable goods and services (Kamete, 2004). The term "home industries" in Zimbabwe refers to an enterprise (meant to be formal but almost invariably informal based on regulation and taxation), usually involved in small to medium scale manufacturing and repair activities, operating in a designated area in the medium and low-income residential areas. Home-based enterprises (HBE) on the other hand are informal activities that occur in and around the housing unit (Kamete, 2004).

The overarching theme in the early studies on informality in Zimbabwe was that although the informal sector had allowed a large number of Zimbabweans to earn a living, the jobs in the informal sector were not decent - incomes from these jobs were low and working conditions tended to be poor. The large informal sector has also had the effect of keeping the reported unemployment figures low. The unemployment rate in Zimbabwe according to the latest Labour Force Survey (2004) is 9.4 per cent using the relaxed definition of unemployment (Table 2) and 4.5 per cent using the standard definition of unemployment (Table 1). Although these figures have been met with disbelief in Zimbabwe and elsewhere, the ILO, in its research papers has always viewed them as accurate estimates of the level of unemployment

(ILO, 2008). Newspaper reports in Zimbabwe¹, numerous “analysts” and non-governmental organisations (NGO) routinely cite much higher unemployment figures in the region of 80 per cent with the ILO consistently disputing these unemployment figures and insisting instead that throughout the 1990s up to 2004, unemployment has remained below 10 per cent as it relies on an “international definition of unemployment” (ILO, 2008).

Table 1: Unemployment rates (standard definition) in Zimbabwe, 1982-2004

	1982	1986/87	1993	1999	2004
Employed	2 215 970	3 026 000	4 056 535	4 665 451	5 068 024
+ Unemployed (standard definition)	268 100	234 000	347 161	297 811	236 056
= Labour force	2 484 070	3 260 000	4 403 696	4 963 262	5 304 080
Unemployment rate (standard definition)	10.8	7.2	7.9	6.0	4.5

Note: The primary sources are the 1982 Population Census; 1986/87 LFS; 1999 LFS; and 2004 LFS. All are based on the standard definition of unemployment, using a short recall period of 7 days in ILO (2008: 25).

The slow growth and the decline in the economy’s labour absorptive capacity from 1998 (Figure 2, on previous page) makes the unemployment figures in Table 1 above seem counter-intuitive. However, as Meagher (1995) argues, economic crises coupled with the absence of comprehensive social security systems in countries like Zimbabwe make it incumbent on people to engage in whatever economic activities they can to sustain themselves – they create their own jobs.

Table 2: Summary breakdown of working age population by labour force status, 2004

	Persons	As % of total population 15 years and above	As % of total labour force
Employed	5 068 024	78.0	90.6
+ Unemployed (relaxed definition)	528 836	8.1	9.4
= Labour force	5 596 860	86.1	100.0
+ Outside labour force (a)	901 674	13.9	
= Total working age population	6 498 534	100.0	

Source: Zimbabwe 2004 Labour Force Survey in ILO (2008: 24)

¹ Zimbabwe Daily Mirror, ‘Unemployment rate at 9 per cent?’ (17 December 2004); Zimbabwe Standard, ‘Damn statistics!’ (14 May 2006); Zimbabwe Online, ‘Zimbabwe says only nine per cent of population is unemployed’ (9 May 2006)

As Table 3 below shows, the informal sector (i.e. informal sector enterprises and households²) made up 76.3 per cent of all employment in Zimbabwe in 2004:

Table 3: Employed population by type of production unit, 2004

Production unit	Persons	%
Formal sector enterprises	1 201 596	23.7
Informal sector enterprises	711 007	14.0
Households	3 155 421	62.3
Total employed population	5 068 024	100.0

Source CSO Labour Force Survey in ILO (2008:31)

In a study aimed at studying how informal workers' situation had changed since the last Labour Force Survey was conducted in 2004, Luebker (2008) interviewed a random sample of 406 residents of a high-density township of Glenview in 2006. Although the sample is small by LFS standards and the study is limited in its geographical scope, it does provide some insights into what had happened in the informal sector between 2004 and November 2006.

Table 4: Simplified matrix of informality according to enterprise-based concept and job-based concept of informality (in % of employed population)

Enterprise-based concept of informality	Job-based concept of informality		Total
	Formal Employment	Informal Employment	
Formal sector enterprises	10.0	1.9	11.9
Informal sector enterprises	1.3	80.3	81.6
Households	1.0	5.5	6.5
Total	12.3	87.7	100.0

Source: Survey on Informal Employment (Glen View, Harare), November 2006 in Luebker (2008:8)

As can be seen from the table above, the results seem to indicate an increase in the number of informal sector workers over the two year period (80.3 per cent using either concept compared to 76 per cent using the enterprise concept in 2004). While the results indicate a

² All domestic workers in private homes and all communal and resettlement farmers, and all those outside the formal sector who stated agriculture or paid domestic service as their main activity.

dramatic increase in informal sector enterprise employment accompanied a major reduction in household informal sector employment, these particular results need to be treated with caution. While workers could actually be moving from households (due to employers' inability to pay them), a more plausible explanation could be that township households, compared to suburban households, are unlikely to be significant employers of labour (probably relying more on family help).

For operationalisation purposes, the Central Statistics Office (CSO) continues to use the enterprise model in defining an informal sector enterprise in Zimbabwe:

“[...] a production unit was considered to be in the informal sector if it is private in the institutional sector, neither registered nor licensed and employs less than 10 employees. Households employing paid domestic workers and those involved in communal farming were excluded from the informal sector enterprises.” (CSO, 2005: 80).

The results from the Central Statistics Office's (CSO) 2004 Labour Force Survey indicate that women are disproportionately represented in the informal sector with men accounting for almost 73 per cent of formal sector jobs while women accounted for 51 per cent of informal jobs and 55.5 per cent of employment in households (ILO, 2005). Table 2 below shows the gender distribution of employed persons in Zimbabwe;

Table 5: Gender distribution of employed persons

	Formal Sector enterprises	Informal sector enterprises	Households
Male	72.7	48.7	44.5
Female	27.3	51.3	55.5
Total	100.0	100.0	100.0

Source: Zimbabwe 2004 Labour Force Survey in ILO (2008)

According to Mhone (1995), the typical urban informal enterprise in Zimbabwe was a one-person operation with average employment per enterprise being 1.5 persons and the average enterprise having been in existence for 8 years. The majority of the enterprise owners had started out in the formal sector before starting their own enterprises and 50 per cent had completed primary school and 47 per cent had completed high school. There was little

reliance on loans from financial institutions as the minimal start-up capital required was either mobilised from savings or borrowing from kinfolk – these results are consistent with evidence from the international literature.

The informal economy in Zimbabwe has been characterised as being resilient and highly adaptable (Bratton and Masunungure, 2006). The activities carried out in Zimbabwe's informal economy are heterogeneous with the main ones being small-scale manufacturing activities (knitting, crocheting and sewing), retail and vending activities carried out mostly by women (Mhone, 1995; Mupedziswa and Gumbo, 1998; Kamete, 2004). Men tend to dominate the relatively larger and more complex activities e.g. carpentry, repair services, metal work and construction (Kamete, 2004). While men claimed that their work contributed more than 50 per cent of household income, most women tended to view their contribution as supplementary household income (Mhone, 1995).

Informal sector activities are carried out throughout the cities and the heterogeneity in the activities carried out seems to be one of the informal sector's characteristic features in the literature – Harare is no exception. While some activities are at the frontier of the formal/informal divide (e.g. sheet metal fabrication and the manufacturing of farm equipment) others are more 'typical' informal sector activities (e.g. selling fruit and vegetables). Kamete (2004) provides a summary of these activities and the locations in which they are carried out in the table below;

Table 6. Spatial and Operational Features of the Small Scale Informal Sector in Harare

CLASS	LOCATIONAL FEATURES	COMMON ACTIVITIES
Home-Based Industries	In and around housing unit	Selling foodstuffs; small household goods; repairs; services
Home Industries	Designated sites within residential Areas	Manufacturing; repairs; welding; trading; engineering works; services
Street Vending	Along busy streets, on pavements, at Intersections	Sale of confectionery; cigarettes; vegetables; fruits; books; clothing items
Shop-front vending	Near or at the entrance of busy super-Markets	Sale of plastic bags; confectionery; cigarettes; vegetables; fruits; books
Bus-stop vending	At public transport termini	Sale of confectionery; cosmetics; cigarettes, vegetables; fruits; books; clothing
People's Markets	Designated areas usually near bus-Stops or shopping centres	Making and sell of crafts; confectionery; clothing; vegetables; fruits; books
Flea Markets	Designated sites within the Central Business District and suburban shopping centres	Mixed consumer goods; clothes; appliances; clothing
Roadside stalls	Along busy distributors or national Roads leading out of the city	Curios, building materials; crafts; maize; vegetables; fruits
Designated vending sites	Sites within the Central Business District identified by planners	Confectionery; cigarettes; vegetables; fruits; books; clothing

Source: Kamete (2004:122)

While more than 80 per cent of people in the informal sector said that their inputs came from the formal sector, The ILO/SATEP (1984) study did not find any significant forward linkages from the informal economy to the formal economy. Kamete's (2004) did find both forward and backward linkages between the formal and informal economies. Of the ten business units in his study, seven obtained their raw materials entirely from the formal private sector. In Kamete's study, in the month preceding the study, four of the ten business units had had customers from the formal private sector (Kamete, 2004).

The ILO/SATEP (1984) identified lack of credit or finance, inadequate space and amenities, and low demand as the major constraints facing the urban informal operations. The issues of government regulations were not cited in this study as a constraint. The enterprises's inability to secure credit facilities and loans was the major constraint identified by Kamete (2004) and Mupedziswa and Gumbo (1998).

While the ILO/SATEP (1984) study found that many people in the informal sector claimed that harsh economic circumstances had forced them into the informal sector, the majority said

they were reluctant to move to the formal sector unless they were offered a wage that was much higher than the going wage.

2.4.1 Conclusion

Over the last nine years, Zimbabwe has gone through a very serious political and economic crisis whose impact on its citizens is greater in all respects than that of the structural adjustment programme of the 1990s – Zimbabwe, as a state, is failing on a number of dimensions. This has resulted in tremendous informal economy growth and according to the ILO (2008) this sector was employing over 76 per cent of the labour force by 2004.

Arguably the worst period of the crisis era was early 2008 to early 2009 when inflation was (according to CSO) 231 000 000 per cent (this was the June 2008 figure and no statistics were available until May 2009 after dollarisation). During this period, anecdotal evidence suggests that it was the informal sector that kept the nation going through the importation of goods by informal traders. The urban informal sector has clearly grown in Zimbabwe as a response to state failure. There is a need to look at this phenomenon of informality and the conditions of the self-employed under the circumstances that exist in Zimbabwe today i.e. how are they responding to this failure?

While it would be useful to revisit the issues dealt with by Mhone (1995) and the ILO/SATEP (1984) studies (types of activities carried out in the informal sector, characteristics of informalisation etc.) and see whether there have been changes, it would be more useful to go beyond these issues and address some of the gaps in these early studies. Instead of treating the informal sector as an undifferentiated residual sector, there is a need for studies on informality in Zimbabwe that disaggregate this sector by sub-sector of activities and by locales – this type of research could find differences in activities, barriers to entry/exit and employment relationships in the various sub-sectors and/or locales. There is a need to look at how self-employment in the informal economy has worked as a response to the crisis/failing state and whether there have been changes in the way the informal sector operations are structured - these are the main issues that this research project seeks to address. Anecdotal evidence seems to suggest that there have been changes even at the lowest rungs of the urban informal sector to such an extent that whereas eight years ago the roadside vendor or flea market operator was usually the owner, now many vendors and operators are not owners but employees of someone else who is running her business informally. This suggests that while much informal

self-employment in Harare is likely to be low-paid and insecure work, the crisis may have created potential for more lucrative forms of self-employment.

Although the new study will obviously attempt to extend the early work of Mhone (1995), Kamete (2004) and the ILO/SATEP (1984) studies, it sets itself apart not only by disaggregating the urban informal sector by activities (and a comparative analysis of the activity classes) but also by bringing in a new and important dimension - that of the self-employed worker's perception of both formal and informal work and the choices that the worker has made. There is, as King (1996) would put it, a need to "people" the analysis of the informal economy in Zimbabwe. Such a study will obviously also have to tap into the attitudes of the self-employed worker towards self-employment and ascertain whether (and under what conditions) the worker may be amenable to returning into formal employment - the issue is one of agency and few studies have looked at this in developing countries.

Chapter Three : Research methodology

This study investigates the characteristics of the urban informal sector self-employed in Zimbabwe's capital city and largest urban centre, Harare, as a response to the crisis/failed state. The broad objective of the study is to investigate the characteristics of the urban informal sector self-employed in Harare under conditions of state failure. Informal enterprises will be defined as small-scale operations that do not pay taxes. The specific objectives of the research are as follows:

- To investigate the characteristics of the urban informal sector self-employed in Harare (for example their gender, age, education levels).
- To analyse the characteristics of the enterprises owned by the urban informal sector self-employed (for example the activities carried out, the number of workers employed, profitability of the business).
- To try to understand the specific constraints faced by enterprises and enterprise owners in the informal economy in Zimbabwe.
- To understand the motivation of those operating in the informal economy. That is, do they prefer to operate in the informal economy vis-à-vis the formal economy, and if so, what are the reasons for this preference.
- To ascertain perceptions of formal sector employment and its benefits. In other words, would the informal sector self-employed prefer to be in the formal sector? What salary would entice a self-employed person in the informal sector to work in the formal sector as an employee?

The descriptive research method was used as it facilitated the analysis of the research objectives. Descriptive research was used as it deals with the current situation that exists without any attempt being made to manipulate the variables. Best (1981:25) defined descriptive research as follows:

“It involves the description, recording, analysis and interpretation of conditions that exist. It involves some type of comparison or contrast and attempts to discover relationships between existing nonmanipulated variables.”

3.1 Survey instrument

Data were gathered using a semi-structured questionnaire developed by the researcher (Appendix A). The questionnaire consisted of 60 items. Best (1981) discussed the disadvantage that the questionnaire had. This includes the limited purpose because they are data-gathering devices with a short life and administered to a limited population. However the advantage of the questionnaire was that the availability of a number of respondents in one place made it possible to save time and expense and provided a high proportion of usable responses. Before the instrument was administered, a pilot survey was conducted with 8 subjects to gauge the usefulness of questionnaire items. The questionnaire was designed in such a way that it provided anonymity to the respondents.

3.2 Selection of sample

The research involved a descriptive analysis of data collected in a survey of urban informal sector self-employed people. The target population is made up of all informal sector self-employed people in urban Harare. A non-random sample target of 78 respondents from four activity classes was drawn (an attempt was initially made to obtain 20 respondents from each of the four activity classes of interest).

The sample size was determined largely by what the researcher felt was the average number of research participants obtained in earlier research of this nature (see Kamete, 2004; Kazimbaya-Senkwe, 2004). The four activity classes are based on the research by Kamete (2004) in which he classified all informal activities in Harare which have been aggregated into the four activity classes shown in the table below:

Table 7. Activity classes and their location in Harare

CLASS	LOCATION
Home-based	In and around the housing unit Industries
Home Industries	Designated sites in high density residential areas
Street vending	Near or at the entrance of busy super-Markets, road intersections, bus stops
Flea markets	Designated sites within the Central Business District and suburban shopping centres

There were a number of informal enterprise owners who were keen to be interviewed but were also employed in the formal sector and consequently had to be excluded from the study. An attempt was made to obtain 20 participants from each of the four activity classes. Later on, 6 more interviews were conducted. From the total of 86 questionnaires, 78 of them were usable - a response rate of over 90 per cent.

3.3. Limitations

A major study limitation was that a purposive sample is obtained according to the discretion of the researcher who is familiar with the relevant characteristics of the population. This sample is obviously prone to bias and its adequacy is limited by the ability of the individual who selects the sample to perceive differences. The methodology used does not allow for the extrapolation of the findings and the conclusions drawn do not necessarily apply to the urban self-employed informal sector workers as a whole. While it is possible to generalize and draw some inferences from the sample, the fact that random sampling was not used means that the findings from this study will, strictly speaking, describe the conditions of the respondents

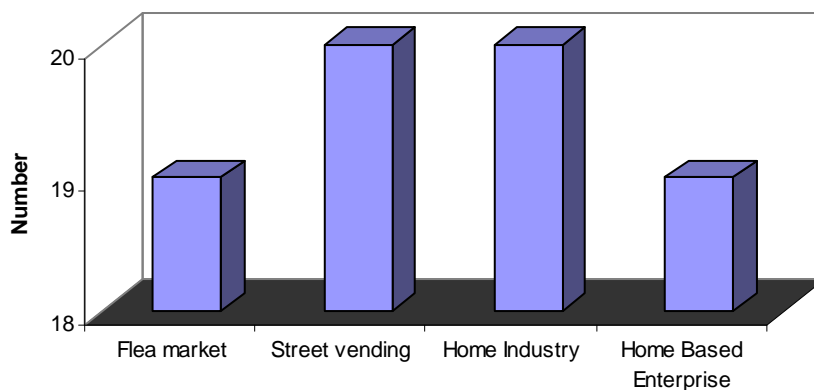
Chapter 4: Presentation and analysis of data

The major purpose of this exploratory study was to investigate the conditions of the urban informal sector self-employed in Harare. To accomplish the objectives a semi-structured questionnaire was designed to ask questions about the characteristics of the self-employed (for example their age, sex, marital status), the characteristics of their enterprises and operating conditions (for example the activities carried out, who their customers are, the profitability of the enterprise, benefits of being self-employed, constraints that they face) and their perception of self-employment as a viable alternative to being employees in the formal sector. An attempt was made to obtain 20 participants from each of the four activity classes. Later on, 6 more interviews were conducted. From the total of 86 questionnaires, 78 of them were usable - a response rate of over 90 per cent. Since generalizable conclusions cannot be drawn from these findings (which was not the intention of the study), the findings are presented with a more qualitative slight to give them more depth.

4.1 Research Participants

The sample was made up of 78 respondents from four activity classes.

Figure 3: The respondents



According to Zimbabwe's latest Labour Force Survey (CSO, 2004), 51 per cent of informal enterprises were run by women. Table 8 below shows the respondents by activity class and sex:

Table 8: Sex by Activity Class

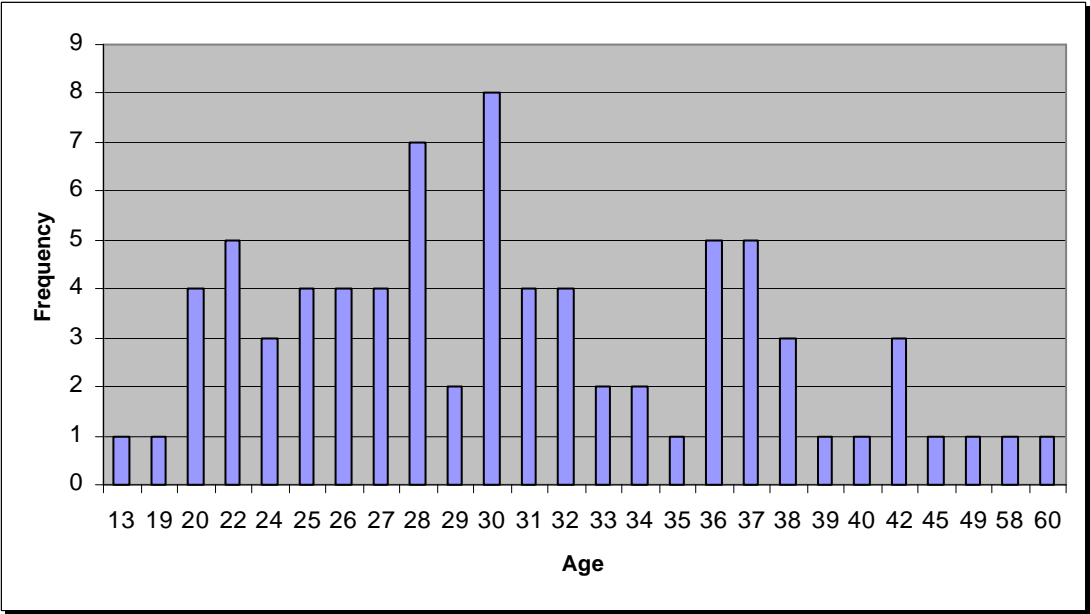
	Male	Female	Total
Flea Market	10	9	19
Street Vending	9	11	20
Home Industry	14	6	20
Home Based Enterprise	5	14	19
Total	38	40	78

Although there was an attempt to achieve the same proportion of males and females in each activity class, this was difficult due to the fact that some activity classes such as the home industry class (which involves manufacturing, welding and repair services) are dominated by males and the home based enterprise class tends to be dominated by women. It was interesting to note though, that there was a sizable proportion of females in the home industry class who were engaged in craft-related trades. The activity classes in this study are broadly based on the ones suggested by Kamete (2004) although the nine activity classes he proposed have been aggregated into the four activity classes in Table 8 (e.g. his street vending, shop-front vending and bus-stop vending classes have been amalgamated into one activity class – street vending) due to similarities in mode of operation of these activity classes.

4.1.1 Owner characteristics

The survey's focus was on the urban informal sector self-employed workers (enterprise owners). There were a number of participants who were running informal enterprises (particularly in the flea market activity class) while formally employed – these respondents were excluded from the study. The minimum age of the respondents was 13 and the maximum age was 60, giving a range of 47. The mean age was 30.4 with a standard deviation of 7.9. The median age was 30.

Figure 4: Age of respondents



Respondents in the street vendor activity class tended to be younger than the respondents in all the other classes as shown in Table 9 below. This makes sense when one considers the barriers to entry that exist in the flea market and the home industry class – the difficulty of securing a stall and the fairly high stall rentals (US\$5 a day for a stand at Avondale flea market where the study was conducted). Street vending on the other hand does not seem to have high entry barriers with a vending license costing US\$15 a year (which most street vendors in the study did not possess). The average age of 30 for the entire sample was significantly lower than that obtained in similar studies (ILO/SATEP, 1984; Mhone, 1995). In both these studies, the average of the enterprise owner was 38 – this could be due to an increase in the number of younger enterprise owners entering the informal sector and thus lowering the average age. It could also be due to other factors such as the HIV/AIDS scourge which has lowered the life expectancy figure to 34 for males and 33 for females (WHO, 2008) or a combination of these factors.

Table 9: Age by activity class

	N	Mean	Min	Max	Median	Std. Dev.
Flea Market	19	33	22	49	31	5.9
Street Vendor	20	27	13	40	27	6.3
Home Industry	20	29	19	42	30	6.6
HB Enterprise	19	36	24	60	32	10.2
Total	78	31	13	60	30	8.0

All the respondents had at least completed primary school. The majority of respondents (68%) had completed high school and 26% held a tertiary qualification. The reported education levels are significantly higher than those reported for previous studies in Zimbabwe and similar studies in Africa. In the study by Mhone (1995), only 2 respondents from a sample of 525 had a university degree (less than 1%) and 63 per cent of respondents had completed primary school. As shown in Table 10 below, 5 per cent of the respondents had a university degree and about 12 per cent had a post-secondary diploma.

Table 10: Highest level of education completed by activity class

	Flea Market	Street Vend	Home Ind.	HB Enterp.	Total
Primary School	0	4	0	1	5
High School	11	13	17	12	53
Diploma After primary	2	1	1	3	7
Diploma After Secondary	4	1	2	2	9
Undergraduate Degree	1	1	0	0	2
Postgraduate	1	0	0	1	2
Total	19	20	20	19	78

Respondents in the flea market and home-based enterprise activity classes seem to be comparatively more educated than those in the street vendor and home industry classes. As can be expected, there is also a geographical dimension to the level of education – the table below shows that enterprise owners operating in the low density suburbs are comparatively more well educated than those in the other locations, with 30 per cent of these respondents having a tertiary qualification:

Table 11: Highest level of education completed by location

	Low density suburb	High density suburb	Central Bus. district	Total
Primary School	0	1	4	5
High School	19	21	13	53
Diploma After primary	2	4	1	7
Diploma After Secondary	6	2	1	9
Undergraduate Degree	1	0	1	2
Postgraduate	2	0	0	2
Total	30	28	20	78

As Table 12 shows, 57.7 per cent of the respondents had never been employed before and only 36 per cent had ever held a formal sector job. Given the fact that Zimbabwe's economic crisis began in 2000 when most of the respondents were coming onto the job market for the first time (given the ages in Table 9), this result is not surprising – most of them started looking for work when the economy had already started to shrink.

Table 12: Employed before

	Frequency	Percent
No	45	57.7
Yes in Formal Sector	28	35.9
Yes in Informal sector	4	5.1
Other	1	1.3
Total	78	100.0

As was expected, respondents who had a tertiary qualification were disproportionately represented in the number of those who had been employed before:

Table 13: Previous employment by highest education level

	No	Yes		Other	Total
		formal sector	Informal sector		
Primary School	2	1	2	0	5
High School	40	11	1	1	53
Diploma After primary	3	3	1	0	7
Diploma After Secondary	0	9	0	0	9
Undergraduate Degree	0	2	0	0	2
Postgraduate	0	2	0	0	2
Total	45	28	4	1	78

As shown in Table 13, only 21 per cent of respondents who had completed high school in the sample had ever had a ‘proper job’ (as formal jobs are called in Harare). Most of those who were previously employed reported that they had resigned, had voluntarily retired or had been retrenched as shown in Table 14. The high number of respondents (39 per cent of those previously employed in the formal sector) opting for voluntary retirement (which in Zimbabwe is almost invariably accompanied by a relatively generous payout) is not surprising in a failing state as entrepreneurs tend to see the move to the informal sector as a better and viable option to formal sector employment, although similar studies have found unemployment as a main motivator for self-employment (Skinner, 2005).

Table 14: Reason for leaving employment

	Frequency
Resigned	13
Retrenched	6
Voluntary Retirement	11

Those who had been employed before came from a variety of occupations. Although the majority came from fairly low-income professions such as welding, about 10 respondents (12 per cent of the sample) came from white-collar middle-income professions and these were disproportionately represented in the flea market activity class. The results on the highest level of education attained (Table 10) when analysed together with the results from Table 15 (previous occupation of respondents) and Table 19 (enterprise location) seem to indicate that

informal sector activities cut across class in Zimbabwe. The table below lists the respondents' previous occupations:

Table 15: Occupation

	Frequency
Accountant	1
Agronomist	1
Builder	3
Bus Conductor	1
Communal farmer	1
Customer Relations Manager	1
Domestic Worker	1
Driver	1
Economist	1
Gardener	2
Guard	1
Hairdresser	1
Mechanic	1
Newspaper vendor	1
Public Relations Officer	1
Receptionist	2
Salesman	2
Schoolteacher	2
Secretary	2
Sheet Metal Fabricator	1
Shop Manager	1
Upholsterer	1
Waiter	1
Welder	1

Most of respondents were married/living together (61.5%) and this is not surprising given the age distribution of the sample (Table 9). Of those who were married/living together, 17 (35.5%) said that their spouses were employed.

Table 16: Spouse's occupation

	Frequency	Percent
House Husband/Wife	18	37.5
Retired	2	4.2
Unemployed	9	18.8
Formal Sector	14	29.2
Informal Sector	3	6.3
Other	2	4.2
Total	48	100.0

It was somewhat surprising to find a large number of spouses who were formal sector workers (29 per cent of spouses). On disaggregating the data, the results show that 12 of the respondents whose spouses are in formal employment operate in the low-density areas – these tend to be middle-class and upper middle-class people with higher educational qualifications (see Table 11). Given the fact, as mentioned earlier, that a number of respondents were still employed in the formal sector while running informal enterprises (and therefore had to be excluded from this study), this could indicate that formal sector income (where it does exist) could be important for informal activities.

The mean household size for the sample was 4.9. The mean household size is lower than that reported in similar studies – Mhone (1995) reported an average size of 6.2 persons. This decrease in the average household size could be due to the higher level of education of the respondents. It could also be due to the inability of urban workers to support relatives from rural areas who come to the cities to look for jobs (rural-to-urban migration). 44 respondents (56% of the sample) reported that they were the sole breadwinners in the household. The number of female breadwinners in the sample, 18, is quite significant given the total of 44 sole breadwinners. The fact that 41% of the sole breadwinners are females is an indicator of the significant role that women in the sample played in the survival of households probably due to economic contraction and the consequent increasing levels of male unemployment. Although previous studies show that women's income was regarded as being mainly supplementary (Mhone, 1995), the results would suggest that women are playing an increasing role as the households' main source of income.

Informal sector participation is usually high where there is a dearth of formal employment opportunities. In a crisis/failing state, although one would expect an expansion in the ‘survivalist’ informal activities, there was an indication from this study of informal sector ‘entrepreneurs’ in the high-income suburbs whose activities clearly did not conform to these survivalist notions of the informal sector - not only did they have spouses employed in the formal sector, 37 per cent of them were actually operating their enterprises from more than one site (the majority being from the suburban flea market activity class) as shown in Table 17 below:

Figure 17: Is this only site you operate from

	Yes	No	Total
Flea Market	12	7	19
Street Vendor	17	2	19
Home Industry	15	5	20
Home Based Enterprise	18	1	19
Total	62	15	77

4.1.2 Enterprise characteristics

In this study, the criterion used to define an informal enterprise was its registration for VAT. Table 18 shows that 71 enterprises (91%) were not registered at all. Three of them were registered companies and four respondents said they had vending licenses.

Table 18: Enterprise registration by activity class

	Not Registered	Companies Act	Licensed	Total
Flea Market	17	0	2	19
Street Vendor	18	0	2	20
Home Industry	18	2	0	20
HB	18	1	0	19
TOTAL	71	3	4	78

Most of the enterprises in the sample (54%) were less than three years old as shown in Figure 3 below that shows the year the enterprise was formed. In this study, the criterion used to define an informal enterprise was its registration for VAT. 30 of the respondents (38.5%)

operated in the low-density areas (suburbs), 28 enterprises (35.9%) operated in high-density areas (townships) and 20 enterprises operated in Harare’s central business district (25.6%). Previous research on informality in Harare has shown that most informal sector activities are carried out in the high-density areas (townships) and the city’s central business district. As a consequence of this, almost all research on informality has focused on the activities carried out in the townships with the burgeoning suburban informal sector being largely ignored. In Mhone’s (1995) study, it was estimated that the suburban informal activities accounted for about 10 per cent of all informal sector activities in the three major urban areas that formed part of his survey (although it accounted for 19 per cent of informal activities in Zimbabwe’s second city, Bulawayo). There was therefore a deliberate effort to include these suburban informal sector activities in this study (Table 19).

Figure 5: When Did You start business

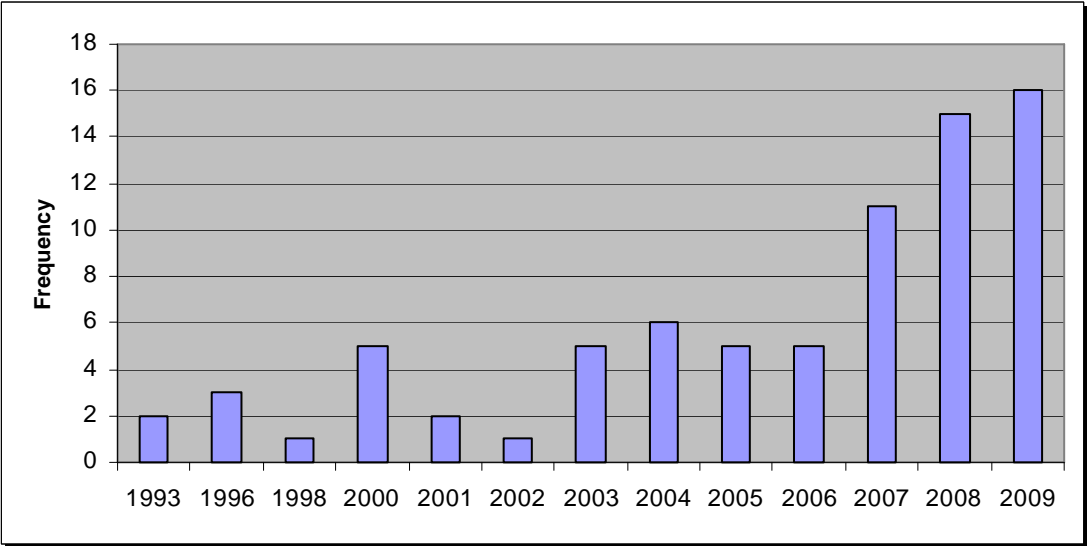
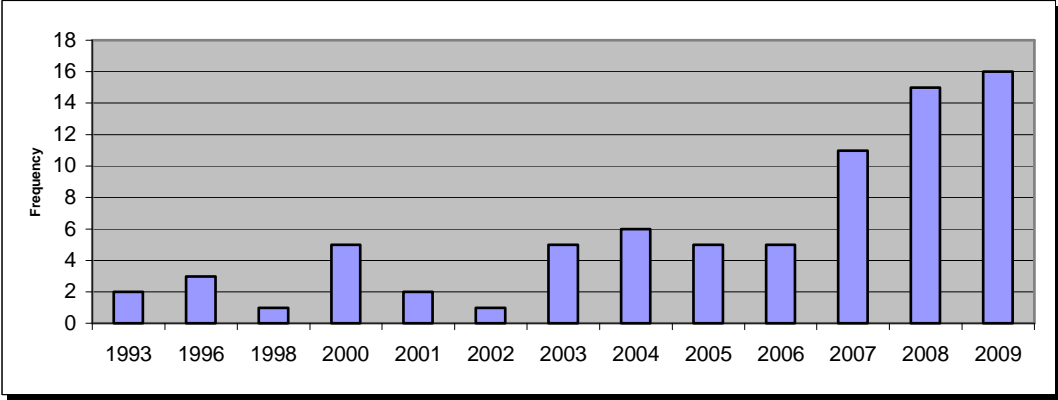


Table 19: Activities by location

	Low Density Suburb	High Density Suburb	Central Bus. District	Total
Flea Market	19	0	0	19
Street Vendor	0	0	20	20
Home Industry	1	19	0	20
Home Based Enterprise	10	9	0	19
Total	30	28	20	78

The mean number of years that the enterprises in the sample had been in existence was 3.7 years and a median of 2 years. This figure is about half of that reported by the early studies on informality in Zimbabwe (ILO/SATEP, 1984; Mhone, 1995).

Figure 6: The year the enterprise was started



The results seem to suggest that there has been a high degree of entry into the informal sector in Zimbabwe over the last few years as shown in Figure 4 above.

Table 20: Number of years trading by activity class

	N	Mean	Min	Max	Median	Std. Dev
Flea Market	19	4.9	1	13	4	3.2
Street Vendor	19	2.2	0	11	1	3.3
Home Industry	20	2.8	0	16	2	3.7
H B Enterprise	19	4.8	0	16	2	5.0
Total	77	3.7	0	16	2	4.0

Table 20 shows the summary statistics for the number of years the enterprises have been in existence by activity class. The street vendor class had the lowest mean number of years (2.2). This could be due to the lower entry and exit barriers in the street vendor activity class. It could also simply be a case of respondents in the flea market and home-based enterprise classes being comparatively more educated (Table 10) and therefore better enterprise managers - enabling their ventures to last longer, on average. As Table 21 below shows, most of the comparatively highly educated entrants started their enterprises less than six years ago:

Table 21: Number of years trading by educational level

	0-3	4-6	7-9	10-12	13-15	16-18	Total
Primary School	3	1	0	0	0	1	5
High School	31	11	6	1	2	1	52
Diploma After primary	4	1	1	0	1	0	7
Diploma After Secondary	6	2	1	0	0	0	9
Undergraduate Degree	1	1	0	0	0	0	2
Postgraduate	2	0	0	0	0	0	2
Total	47	16	8	1	3	2	77

44.3% of the respondents had used at least some of their own capital to start their enterprises and 40.5% had borrowed from friends and relatives. These results are consistent with the findings from similar studies (see Kamete, 2004; Skinner, 2005; Valodia, 2007).

Table 22: How did you get start-up capital?

	Frequency	Percent
Used own Capital	35	44.3%
Used Household Capital	12	15.2%
Borrowed from friends/relatives	32	40.5%

The mean and median start-up capital amounts were much higher in the flea market activity class than in any other class. The street vendor activity class had the lowest mean start-up capital.

Table 23: How much money did you need (in US Dollars)?

Activity Class	N	Mean	Median	Std. Dev.	Minimum	Maximum
Flea Market	19	1255	1000	1207	100	4000
Street Vendor	19	125	100	111	20	500
Home Industry	20	710	500	694	50	3000
Home Based Enterprise	19	740	400	1001	10	4000
Total	77	708	300	930	10	4000

Heterogeneity in the activities carried out in the informal sector seems to be one of its characteristic features in the literature. While some activities are at the frontier of the

formal/informal divide (e.g. sheet metal fabrication and the manufacturing of farm equipment in the home industry activity class) the most common are the ‘typical’ informal sector activities - the selling of various consumer products.

Box 1: What activities are you engaged in?

Flea Market		Home Industry	
Selling clothing Items	6	Manufacturing Coffins	1
Selling artefacts	1	Candle making	1
Cosmetics & perfumes	1	Furniture making	9
Selling kitchen items	1	Welding & repairs	1
Cell-phone accessories	2	Spray-painting	1
Selling books	1	Selling Furniture	2
Selling salon equipment	1	Selling Carpets	1
Selling electronic equipment	4	Steel fabrication	1
Selling waist belts	1	Upholstery	1
Selling furniture	1	Manufacturing farm equipment	1
Selling Jewellery	1	Welding & Repair services	1
Street Vending		Home Based Enterprise	
Selling toiletries	1	Selling fruit & vegetables	2
Foreign Currency dealing	3	Catering services	1
Selling cigarettes	6	Selling Books	1
Selling clothing items	2	Brick Moulding	1
Selling airtime	6	Catering	1
Selling clothing items	2	Interior Décor	1
Selling cell-phone lines	4	Selling Foodstuff	2
Selling fruit & vegetables	5	Candle Making	1
Selling newspapers	2	Welding & repairs	1
Selling sweets	3	Selling Chickens	1
Selling dairy products	1	Construction	2
Selling carrier bags	4	Upholstery	1
Selling DVDs	2	Making Chemicals	1
		Making Ice Cream and Jam	1
		Selling Clothing items	1

One of the research objectives was to establish the way the self-employed operated their enterprises with specific reference to the number of people they employed, whether these were family members, permanent or part-time employees and how wage/salary decisions were made. Although the relatively high number of employees was expected, largely due to the few alternative income earning opportunities in Zimbabwe, the extent to which this occurred was surprising. 59 respondents had at least one employee and the total number of employees for all the respondents was 150. The table below shows the average number of employees (for those respondents that reported having employees) by activity class;

Table 23: Employees

Activity Class	N	Mean	Minimum	Maximum	Std. Dev
Flea Market	16	2.44	1	6	1.209
Street Vendor	9	2.11	1	3	.928
Home Industry	19	2.26	1	4	1.240
Home Based Enterprise	15	3.27	1	12	2.789
Total	59	2.54	1	12	1.745

It was interesting to note that even respondents in the street vendor class were also employers although they tended to have fewer employees. These results seem not only to indicate the significance of the informal sector as a source of employment but also suggest an increase in ‘clustering’ as a result of the crisis/failing state - instead of each unemployed worker forming her own enterprise, there could be an increase in the number of small enterprises, each employing a small number of people even at the lowest rungs of informal activities i.e. the street vendor activity class. The mean number of employees per enterprise of 2.5 is higher than that reported in other studies. Mhone (1995) reported a mean of 1.5 and Valodia (2007) in their South African study reported a mean of less than one employee (81 per cent of their respondents did not have an employee). An earlier study by Skinner (2005) found that 55 per cent of the informal enterprise owners had employees with the majority employing only one person.

Of the respondents with employees, 42 of them (71%) had at least one permanent employee and 52 per cent of the employees were full time. This figure is much higher than that obtained by Skinner (2005) who found only 20 per cent of full time employees in her study. Only one street vendor from the sample had a permanent employee – this is the activity class with the lowest start-up capital (Table 23) and lowest profit (Table 30). The home industry class has the highest number of respondents who have permanent employees (85%). This could be due to the nature of the activities carried out in this activity class (craft-related) that require the constant presence of an assistant/apprentice type of employee. The comparatively high number of permanent employees in the informal sector is to be expected where there are few alternative sources of employment. While it would be interesting to investigate the general conditions of these informal sector employees and compare them with those of formal sector workers in a crisis/failing state, this was beyond the scope of this study.

Table 25: Permanent Employees

	N	Mean	Median	Minimum	Maximum	Std. Dev.
Flea Market	14	1.6	1.5	1	3	0.7
Street Vendor	1	1.0	1.0	1	1	
Home Industry	17	1.5	1.0	0	4	1.0
H B Enterprise	10	2.8	2.0	1	10	2.7
Total	42	1.9	1.5	0	10	1.6

Of the 59 respondents that had at least one employee (Table 25), 36 employed at least one family member. Out of a total of 150 employees for all respondents in the sample, 48 of them were family members. Studies such as the ILO/SATEP (1984) survey found that the majority of workers in informal enterprises were family members. Clearly, the social obligation to employ family members does not seem to have been felt as strongly among the respondents in this study as the majority of employees were non-family members.

Table 26: Family Employees

	N	Mean	Median	Minimum	Maximum	Std. Dev.
Flea Market	5	1.6	2	1	2	0.5
Street Vendor	4	1.0	1	1	1	0.0
Home Industry	16	1.2	1	0	2	0.5
H B Enterprise	11	1.5	1	1	4	0.9
Total	36	1.3	1	0	4	0.7

The home industry class had the highest number of respondents who reported that they employed a family member followed by the home-based enterprise class with 11 (58%). The high number of respondents in the home-based enterprise class employing relatives is consistent with findings from similar studies in this area (see Kazimbaya-Senkwe, 2004) – household members that are unemployed are usually brought into this type of enterprise to assist.

10 respondents had increased the number of workers, 2 respondents had decreased the number of workers and 47 respondents said they had neither increased nor decreased the number of workers in the past year. The reported increase in the number of workers was largely

restricted to the flea market activity class that seems to be the most profitable (Table 30). It should be noted that even in this activity class, most respondents, 11, said they had neither increased nor decreased the number of workers

Table 27: Increased/Decreased workers

	<i>Flea Market</i>	<i>Street Vendor</i>	<i>Home Industry</i>	<i>H B Enterprise</i>	<i>Total</i>
Increased	5	0	2	3	10
Decreased	0	0	1	1	2
Neither	11	9	16	11	47
Total	16	9	19	15	59

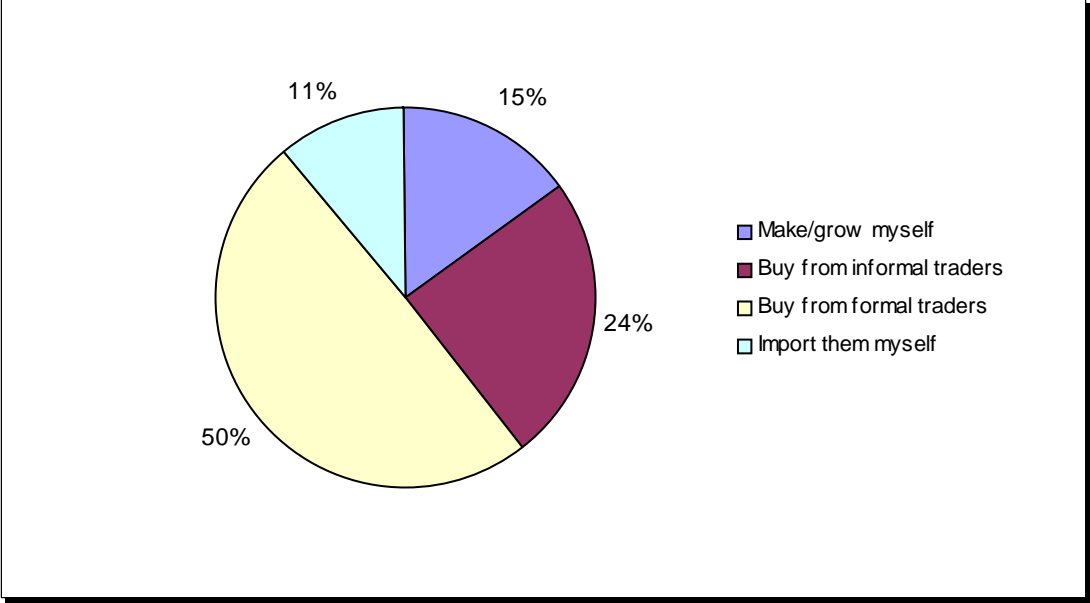
9 of the respondents ascribed this increase in the number of employees to business growth and expansion with one reporting the need to employ a family member as the reason for the increase. 59% of those who had employees paid them a commission (based on what they sell). This strategy of not being saddled with a fixed salary bill seems to be appropriate especially given the uncertainty of income for many of the self-employed entrepreneurs (Table 35). This is probably also intended to motivate the employees to sell more of the goods so as to earn a higher income. The majority of enterprise owners that that paid salaries reported that they did bases their salary decisions on informal sector wages. This could be due to the fact that most formal sector wages are very low in Zimbabwe with most salaries being around \$115 per month.

Figure 5 seems to suggest strong linkages between the formal enterprises and the informal sector enterprises in the sample. 50% of the respondents reported obtaining at least some of their inputs from the formal sector while 24% percent of them obtained at least some of their inputs from other informal traders. The fairly high proportion of traders now obtaining their goods from formal traders rather than importing them could be due to the dollarisation of the economy in March 2009 and the consequent flooding of most goods on the market.

Most formal traders seem to have taken advantage of this by importing goods in bulk - this makes it cheaper for informal traders to buy the goods from them as it clearly makes it uneconomic for an individual informal trader to import goods on her own. The formal traders are, in some cases, able to sell these imported goods at a price below that charged in the country of origin. This situation was somewhat different for the flea market class - of the nine

respondents who reported that they imported at least some of the goods they sold, eight of them were from the flea market class. This is an activity class that seems to specialise in the high-end consumer products (e.g. electronic equipment and jewellery) probably due to its location in a low-density residential area.

Figure 7: How do you acquire inputs



Most respondents (47%) reported that they chose the site they are currently operating from due to its proximity to other informal traders who sell similar goods. This could be to keep track of prices charged by competitors so as to remain competitive.

Table 28: Why do you operate at this site

	Frequency
Close to Informal traders who sell similar goods	37
Close to Informal traders who sell different goods	9
Far from informal traders who sell similar goods	3
Only site available	6
Allocated by council	3
Other	19

62 respondents (80%) said this was the only site they operated from. 15 respondents (19%) said they also operated from a different site. As can be seen from Table 17, most of the respondents operating from more than one site were in the flea market activity class. Of the 14

respondents who operated from more than one site, 9 said that they sold the same goods and 6 said they sold different goods.

When asked why they sold these particular goods, 70 respondents (90%) said that it was what the customers wanted, 3 (4%) said that these were the goods that other informal traders sold and 5 (6%) offered various responses (e.g. “that’s what I’m qualified to do” or “that is what I want to sell”). Although the general public are the respondents’ biggest customers, a number of them also have formal enterprises as their customers – there are clear linkages between the formal and informal sectors. The international literature does provide strong evidence of these linkages between the formal and informal sectors (see Chen, 2006).

Table 29: Who are your customers?

	Frequency	Percent
General public	75	49.3
Other informal traders	51	33.6
Other	2	1.3
Formal enterprises	24	15.8

The flea market activity class does not only seem to have higher start-up costs (Table 22), it also seems to be the most profitable as Table 30 below shows:

Table 30: Profits (US Dollars)

Class	N	Mean	Median	Minimum	Maximum	Std. Dev.
Flea Market	18	597.22	225.00	100.00	3000.00	831.98
Street Vendor	20	145.00	100.00	30.00	400.00	82.81
Home Industry	18	278.06	240.00	100.00	1000.00	210.20
Home Based Enterprise	19	230.26	150.00	30.00	1000.00	257.03
Total	75	307.07	200.00	30.00	3000.00	465.08

Since most informal traders do not seem to keep detailed records of their business transactions, it is important to be careful when interpreting the reported profit figures that are usually very rough estimates for most of the respondents. The researcher did observe a few cases, though, where records were actually being kept using fairly sophisticated technology (laptops). Respondents were asked to give approximate figures for their earnings after all

expenses. The average monthly profit for all the respondents in the study was virtually identical to that obtained by Mhone (1995). When one factors in the 14 years that have elapsed since Mhone’s study was conducted, clearly the enterprises are making a lot less, on average, than those from the earlier study. The profit figures seem to be much higher than those obtained by other researchers in sub-Saharan Africa (Skinner, 2005; Sandefur and Teal, 2007). This could be an indication that the informal sector is more profitable in Zimbabwe or it could just be a reflection of the higher cost of living (i.e. higher prices for almost everything in the crisis/failing state).

Factors related to profitability

There were significant correlations between amount of start-up capital invested in the enterprise and profitability ($r = .742, P < 0.000$) significant at the 0.01 level; between education and profit ($r = .355, P < 0.002$) significant at the 0.01 level; between previous employment (i.e. whether respondent had been employed before) and profitability ($r = .315, P < 0.000$) significant at the 0.01 level. As can be expected, there were also gender and geographical dimensions to profitability. Enterprise owners operating in the low-density areas made more money, on average, than those in the other areas as shown in Table 31 below. Male enterprise owners also made more money, on average, than female enterprise owners overall with figures of 356 and 266 respectively. It is interesting to note though, that female enterprise owners in the lucrative flea market class made more money, on average than the male enterprise owners (666 for females compared to 527 for males). There was a very weak positive relationship between age and profitability. A possible reason for this could be that the experiential effects, that should normally lead to higher earnings, are being affected by the new, younger entrants who are more educated.

Table 31: Average profits by location

	Low Density Suburb	High Density Suburb	Central Bus District
Profit	442.07	281.15	145.00

The literature indicates that there are two major types of informal sector players, the ‘survivalists’ and the ‘entrepreneurs’ - the results on profitability in this sample seem to provide evidence for these two categories. The flea market class seems to be entrepreneurial

while the street vendor class seems to be clearly survivalist. Although there are respondents in a particular class who may exhibit the typical characteristics of the other class (e.g. street vendors who are entrepreneurial), generally the results from the correlations seem to provide evidence for this distinction.

53 respondents (68%) said that their enterprises were more profitable than they had been the year before with only 6 respondents (7%) saying that their enterprises were less profitable. Table 32 below shows these responses by activity class:

Table 32: Increase in profitability by activity class

	Flea Market	Street Vendor	Home Industry	HB Enterprise
More Profitable	11	12	17	13
Less Profitable	8	6	2	6
Neither	0	1	1	0

This reported increased profitability is not surprising given the more stable trading environment of the past year after the dollarisation of the economy. 75 respondents (96%) said that their activities allowed them to support their families and three (4%) said they did not. These very high figures were somewhat surprising particularly for the street vendor class but analysed together with the profitability figures (Table 30) could probably indicate a very basic level of sustenance for respondents in this activity class. Although some sub-Saharan studies have suggested that street vending can be a lucrative activity (Hansen, 2004), the street vendors in this sample did not seem particularly well off.

The vast majority (78%) of the respondents financed their business operations from profits. Only five respondents (6%) said that they did receive trade credit from formal traders and this was for airtime purchased for resale. 10 respondents (13%) did report getting trade credit from other informal traders.

4.1.3 Perceptions of informal sector constraints and advantages

A key research objective was to establish the specific constraints that respondents faced in operating their enterprises. Table 33 is a list of the factors that respondents said had affected

them over the past 8 years. Although the majority of the respondents, 48, reported that they had been negatively affected, a significant number, 24, reported that they had been positively affected by the economic situation. This could suggest that there are a number of informal sector entrepreneurs who have benefited from the harsh economic climate.

Table 33: How has the economic situation of the Past 8 years affected you

	<i>Frequency</i>
Competition	2
Created opportunities for Informal Sector	21
Currency Fluctuations	10
Education going to waste	1
Erratic growth	2
Good sales	3
Hyperinflation	24
Low Sales	9

Most respondents cited independence as the major advantage of self-employment followed by a related reason, flexible hours. A significant number of respondents (20) cited a steady income and good profits as some of the benefits of self-employment. In spite of the significant number of family members employed by the enterprises in the sample, only two respondents cited this as an advantage of self-employment. This could suggest that these family members are employed out of necessity and not because of any unique skills that they bring to the job.

Table 34: Advantages of self-employment

	Frequency
Allows me to support myself	2
Can employ family	2
Flexible working hours	12
Fulfilment	7
Good profits	9
Hard work is rewarded	2
Independence	25
No taxes paid	2
Steady Income	11

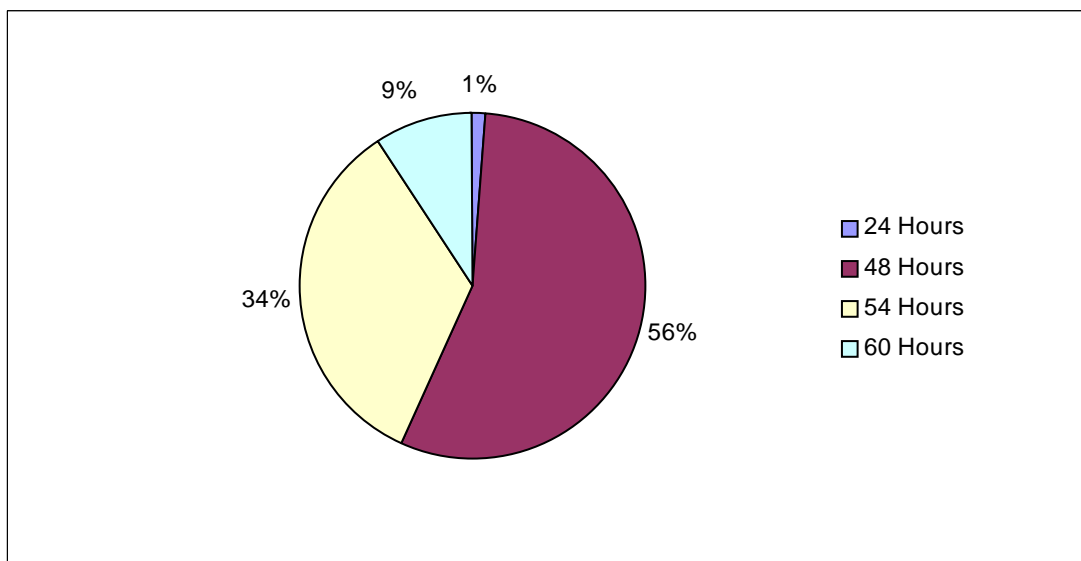
Stress brought about by long working hours was one of the major reasons given as one of the disadvantages of being self-employed with 21 respondents citing this. Most of the respondents in the street vendor class who did not have hawkers’ licenses (90%) reported harassment by authorities (local council officials and the police).

Table 35: Disadvantages of self employment

	Number
Access to credit difficult	5
Financial stress when business is low	2
Harassed by older traders	1
Harassment by authorities	10
High overhead costs	4
Income not guaranteed	2
Involves hard work	3
Lack of benefits	5
Low capital, slow expansion	1
No guaranteed income	7
No job security	1
Poor management skills	3
Scarcity of products for resale	1
Stressful due to long hours	21
Theft due to poor security	5

Figure 6 shows the amount of time that respondents reported spending on their enterprises a week before the interview. 71 respondents (91%) said they wanted to spend more time working in their enterprises with 5 respondents (6%) said they wanted to spend less time. This is somewhat surprising given the fact that stress due to long working hours was given as the major disadvantage of self-employment. This could possibly indicate that respondents feel that they stand a chance of making more money by working harder, rather than that they would actually enjoy putting in more hours.

Figure 8: How much time spent on business



To assess changes in satisfaction with self-employment, respondents were asked whether they were more satisfied than they had been a year ago. The findings are reflected in Figure 30 below. Most of the respondents said that they were more satisfied than they had been a year before. In fact, more women than men reported being happier than they were a year ago (34 and 30 respectively). Clearly, this satisfaction could be largely attributed to the dollarisation of the country's economy that resulted in a more stable trading environment as hyperinflation (before dollarisation) was cited as one of the greatest challenges the respondents faced over the past eight years (see Table 33). Although the strict price and exchange control regulations that existed until early 2009 may have benefited a few informal traders, dollarisation and the lifting of price controls seem to have benefited a greater number of informal traders through the availability of inputs and products for resale and a more stable trading environment. Generally, studies on informalisation in Zimbabwe have reported that informal sector workers were not dissatisfied with informal work (Mhone, 1995; ILO/SATEP, 1984). This seemed to apply to both those whose main source of income was from this sector and those who viewed these activities as a supplementary source of income (Mhone, 1995). Informal sector enterprise owners can be expected to report even higher levels of satisfaction as they earn more money, on average, than even formal sector workers (ILO, 2008).

Table 36: More satisfied than last year?

	Yes	No	Neither	Total
Flea Market	15	1	3	19
Street Vendor	17	0	1	18
Home Industry	17	1	2	20
H B Enterprise	15	2	1	18
Total	64	4	7	75

Although Table 37 below seems to indicate that those with higher levels of education tend to report higher levels of satisfaction, it is important to note the generally high levels of satisfaction in all groups and the small number of respondents in the sample with a tertiary qualification.

Table 37: More satisfied than last year by highest educational level attained

	Yes	No	Neither	Total
Primary School	2	1	1	4
High School	45	3	4	52
Diploma After primary	5	0	1	6
Diploma After Secondary	8	0	1	9
Undergraduate Degree	2	0	0	2
Postgraduate	2	0	0	2
Total	64	4	7	75

A key research objective was to gauge the respondents' perception of the formal sector and establish whether they found it preferable to the informal sector. Only 14 respondents (18%) said that they would be interested in a formal sector job if a suitable one were found. 60 respondents (77%) said that they would not be interested in a formal sector job even if a suitable one were found. 3 respondents (4%) said that they were not sure. This is probably the clearest indication of the crisis/failing state that Zimbabwe is. In a state where the largest employer, government, pays a standard salary of \$115 to every civil servant and where even private sector salaries over the past eight years have failed to catch up with hyperinflation, a formal sector job is hardly attractive to anyone – the mean profit of respondents in the least profitable activity class (street vending) is actually higher than the salary of the highest paid

civil servant. In fact a large number of respondents openly scoffed at the idea and there were no significant differences in responses between the different activity classes.

Even early studies like the ILO/SATEP (1984) study found that even those workers who had entered the informal sector out of desperation were reluctant to leave this sector for low wage formal sector jobs – they expressed a preference for their current informal activities. The salaries they cited as sufficient motivation for them to move out of the informal sector were significantly higher than the going wage. This could be due to the perceived risk of formal sector employment - in a crisis/failing state where company closures and retrenchments seem to be the norm, an ‘established’ informal sector entrepreneur is likely to be more circumspect about a formal job offer. Figure 7 shows the salaries that the respondents said would motivate them to accept a job in the formal sector. Although most of the salaries mentioned are very high compared to what most formal sector employees earn, they seem to be quite reasonable given the profit figures cited by the respondents (see Table 31). Under the current economic conditions, it is highly improbable that the respondents would ever be offered the kind of salaries that they mentioned – a fact that was not lost on them.

Figure 9: What salary would motivate you to move to formal sector?



44 respondents (56%) said they had considered formalising. On being asked why they had not formalised, most respondents felt that their enterprises were too small to be formalised (31%). It should be noted as shown in Table 38 below that in each of the activity classes, those

enterprise owners who had considered formalising were significantly more profitable, on average, than those who had not considered formalising their enterprises. This seemed to be consistent with one of the main reasons for not formalising – the enterprise is too small to formalise. Those entrepreneurs who were making more money probably felt that their enterprises were big enough for them to formalise it.

Table 38: Considered formalising?

	Considered Formalising?	Mean Profit
Flea Market	No	533
	Yes	661
Street Vendor	No	134
	Yes	172
Home Industry	No	245
	Yes	311
Home Based Enterprise	No	134
	Yes	355

The other major reasons for not formalising were high taxes and the rather laborious process of getting the enterprise formalised (cited as ‘too much paperwork’). Numerous attempts have been made to tax the informal sector with first major attempt being made in 1998³. There have subsequently been calls for the widening of the tax base by regulating and taxing the informal sector. Clearly there is plenty of scope for this as many informal operations in Harare are operating at the frontier of the formal/informal divide and can be easily taxed. In fact, as Table 39 shows, a number of respondents do not have serious problems with being taxed *per se* with 71 respondents (91%) indicating that there were advantages to formalizing and only 7 respondents (9%) saying that there were no advantages to formalising. The results from this study on the issue of taxes seems to run counter to the arguments proffered by some researchers who go as far as defining informality as tax avoidance (De Paula and Scheinkman, 2007).

However, the renewed attempts by ZIMRA (Zimbabwe Revenue Authority) to tax this sector have been chaotic⁴ due to capacity constraints and the absence of a coherent strategy.

³ Herald. 1998. “Informal traders to start paying tax”. Harare, Zimpapers, 9 January.

⁴ Zimbabwe Independent. 2009. “Suicidal Policy - Govt Reaps What It Sowed”. 3 September.

Table 39: Why do you not formalise?

	Frequency
Don't know how to do so	3
Don't want to pay tax	9
Taxes too high	17
Too much paperwork	17
Too small to formalise	24
Working on it	7

Chapter 5: Discussion and synthesis of findings

In this section an attempt is made to interpret and discuss the findings from the previous section and relate this discussion to the theoretical framework and the study objectives outlined in Section 2. The section begins by summarizing the results in terms of the impact of the crisis/failed state on the urban informal sector self-employed in Harare. The final subsection discusses the study's limitations and makes recommendations for future research.

5.1 The crisis/failed states impact on the urban informal sector self-employed

From the findings, it is clear that the crisis/failing state has had a major impact on the urban informal sector self-employed at the macro (national) and micro (enterprise) level. This impact at the macro level has largely been in the form of (a) opportunities in filling the gap left by the collapse of the formal sector after the imposition of price and foreign exchange controls; (b) increased competition from new, more educated, entrants who were opting out of (or could not get jobs in) the formal sector; (c) the crisis/failing state's increasing inability to enforce zoning and tax regulations. At the enterprise level, these changes have been in the form of (a) increases in the number of people employed by informal enterprises (the majority of whom were non-family members); (b) keen competition for market stalls due to the high number of new entrants⁵. There are not enough stalls to cater for all the new entrants and there has been a shift to the increased use of homes for activities that are supposed to be carried out in the home industry class (e.g. construction); (c) increased harassment by authorities⁶, particularly in the street vendor class for those who did not possess a trading license; (d) high barriers to entry into the more lucrative suburban flea market activity class (in the form of high stall rentals and generally high start-up costs for the more profitable activities).

The most important impact that the crisis/failing state has had is on the loss of jobs in the fast shrinking formal sector. This failure, which has been nine years in the making, has spawned a new generation of informal sector entrepreneurs some of whom in spite of comparatively (by

⁵ Township stalls in the home industry class and the flea market class are normally allocated by local authorities using a process that is supposed to give priority to women and other vulnerable members of society. The rental for the stall is about US\$150 per year. In the suburban areas, flea markets tend to be owned by individuals who allocate stalls and charge rentals of around US\$5 a day

⁶ Sunday Mail. 2009. 'Informal sector must not hamper order', Harare, Zimpapers, 15 November.

African standards) high levels of education, have never held a formal sector job. The early phase of the crisis marked by price and foreign exchange controls provided enterprising informal sector entrepreneurs with an opportunity to fill the gap that was created by company closures. These easy-entry informal sector opportunities presented themselves in two ways. Informal entrepreneurs could buy the commodities at controlled prices and then sell them at inflated prices and thus derive economic rent. The second way was to import controlled commodities mainly from South Africa and supplying either established retail stores (who increasingly depended on informal suppliers as they could not get the foreign currency to import these goods themselves) or selling these directly to the public at inflated prices. By all accounts, this is what kept the economy going before it was dollarised in March 2009 and allowed a number of informal sector operators to thrive.

The reported level of harassment by the police in this study was quite high, with the police increasingly using brutal methods to try and control unlicensed street vending in the townships and the central business district. This culminated in the death of three vendors as they were trying to flee from police in November 2009, about a month after this study was done⁷. It was only after these deaths that the responsible minister intervened and instructed the police not to interfere with informal traders⁸.

Informal sector vendors are being negatively affected by the political wrangles that have resulted from having an opposition-led council that finds it difficult to work with a Zanu-PF local authority minister. This has resulted not only in mixed messages being sent out (by various politicians as a way of currying favour with this important segment of society) but has had an adverse impact on the local authority's ability to allocated stalls. National government and local authorities have been sending conflicting messages on the policy concerning the allocation of flea market and home industry stalls (used as business premises and therefore an important asset for informal traders) in the townships⁹. This has meant that those who deserve these stalls cannot actually use them, leaving them with few alternatives on where to operate from – the streets or from their homes.

⁷ The Herald. 2009. "19 more municipal cops picked up". Harare, Zimpapers. 12 November.

⁸ Sunday Mail. 2009. "Informal sector must not hamper order" Harare, Zimpapers, 15 November.

⁹ The Herald. 2009. "Stop pending evictions, say NGOs". Harare, Zimpapers. 24 Spetember.

In the early years after independence in 1980, the informal sector was looked-down upon by educated people in Zimbabwe (ILO/SATEP, 1984). It was seen as the preserve of the uneducated masses that had no other employment options. The crisis/failed state has changed this perception, in fact there was a significant number of formal sector employees who could not be included in this study as they were running informal enterprises while employed – they could not make ends meet on their salaries. To use Perry et al's (2007) terminology, in a failing state, the self-employed workers have, after cost-benefit calculations, decided to voluntarily “exit” from formal institutions (and in some cases, they have decided not to be part of it from the outset). Due to the straitened circumstances in which the biggest formal sector employer (the public service) only pays a salary of \$115 a formal sector job is viewed with derision. As the findings indicate, only 18 per cent of respondents in the sample said that they would consider a job in the formal sector. In a crisis/failing state where the average monthly profit of a street vendor (the least profitable activity class in the study) is higher than that of a permanent secretary (Zimbabwe's equivalent of a Director-General), this is not surprising.

The findings seem to suggest that there have been a lot of new entrants into the informal sector. These new entrants seem to be younger and more educated. These new entrants seem to have made strategic decisions on location, types of products they sell and the way they run their enterprises. Not only did they have higher start-up capital and higher profitability figures but those that are married usually have a spouse who is employed in the formal sector. This seems to indicate that a link with the formal sector may be important for source of funds, networking and probably the use of formal sector company facilities (e.g. phone calls, photocopying, internet) that benefit the informal enterprise.

Informal sector firms seem to have increased the number of people that they employ. In fact the findings from this study on the average number of employees per enterprise indicate a higher figure than that obtained in similar studies in sub-Saharan Africa. Most studies in sub-Saharan Africa indicate that informal enterprises tend to be owner operated and when they do actually have employees, these tend to be family members. The findings seem to indicate that instead of a large number of owner operated enterprises, there is an increase not only in the number of employees but the number of self-employed enterprise owners running enterprises from more than one site (more than 50 per cent of respondents in the flea market class

reported operating from more than one site). The findings indicate that the majority of employees were not family members and 5 enterprises had increased the number of workers of the past year while only one informal enterprise had decreased the number of employees in the same period – at a time when formal sector organisations are still laying off workers. Clearly this is a consequence of the crisis/failing state and while it would have been interesting to find out total number of employees an employer had at all sites and how much they were paid, this was beyond the scope of this study. While the study does indicate that the urban self-employed do absorb a number of unemployed people with the informal sector thus playing a distributional safety-net role in a not only for the enterprise owners but also for their employees, the number of people employed per enterprise seems to be too low to allow the view of the informal sector as a significant employer in the economy (even a failing one).

Although informal enterprise profitability is notoriously difficult to establish, the enterprises seem to be, on average, comparatively more profitable than those from similar studies in sub-Saharan Africa. While the street vendor activity class did not seem to be as profitable as the one from Hansen's (2004) Zambian study, the flea market class in the suburban area showed high profitability levels. The findings clearly show that there is a geographical dimension to profitability in the informal sector. Profitability was related to location, activity class, the highest level of education attained, the amount of start-up capital, whether respondent was previously employed and for those who were married, whether the spouse worked in the formal sector or not. It is not surprising that the suburban flea market activity class was the most profitable due to the huge cash outlay that is required to import the products that these informal entrepreneurs sell (high-end electrical goods, clothing and jewellery). Their clients tend also tend to be the middle to high-income group which can afford these goods. There also seems to be less competition in the area of high-end consumer goods and this could be due to the high start-up costs operating as a barrier to entry in these lucrative activities.

The findings from the study seem to indicate that there was an increase in the activities that are considered "atypical" in the informal sector such as the selling of new high-end consumer electronics (TVs, DVD players, computers and printers). Not only were these items sold at flea markets but the sellers also promised after-sales support. In a crisis/failing state the dividing line between formal and informal activities tend to get blurred. This could be due to the failure by the state to play its proper regulatory function (Kanbur, 2007) or it could also be due to a firm opting to move from the formal to the informal sector because it is profitable to

do so (Perry et al, 2007). In a failed state, an enterprise can therefore operate like a formal enterprise in every respect but still be considered (or consider itself) informal merely due to tax regulations that the state may be unable or unwilling to enforce. In fact some of the informal enterprises in the study did operate in a manner usually expected of a formal enterprise (computerised record keeping, staff with administrative functions, more than 10 employees etc.) but still considered themselves informal as they were not paying VAT. Another regulatory failure concerns the increasing use of the home for industrial activities in clear violation of zoning regulations especially in the townships. The three construction companies in this study (employing a total of 22 people) were all operating from the respondents' homes. This type of activity, according to zoning regulations in Harare should be in the home industry activity class and not operate as a home-based enterprise. Earlier studies on the informal sector in Harare (Mhone, 1995; Kamete, 2004) showed that informal entrepreneurs tended to abide by government and local authority regulations in such (relatively) large-scale activities, it would appear that this is changing.

Enforcement of tax regulations seems to be one of the manifestations of regulatory failure in Zimbabwe. A number of attempts have been made to tax this sector but these attempts have been feeble and often chaotic. As the findings suggest, the majority of informal enterprises have considered formalising and have no problems with paying tax with only 12 per cent of respondents saying that they did not want to pay tax. There is clearly an opportunity for revenue collection if the state can expand its tax base and tax this sector.

5.2 Assessment of study objectives

From the previous sub-section, the implications of the findings on the study objectives should be clear. What are the conditions like for the urban self-employed in Harare? The conditions tend to vary mainly according to location and activity class. Those entrepreneurs who are located in the suburbs and are engaged in selling high-end products tend to be much more profitable than street vendors. Entrepreneurs who are more educated tend to earn more than those who are less educated and men seem to earn more than women. The urban self-employed enterprise owner tends to be young, with a sample mean age of 30. The youngest entrepreneurs, on average, are in the easy-entry street vendor class where the average age is 27.

The enterprises are engaged in a wide variety of activities from selling sweets and cigarettes to selling TV sets and laptop computers. The number of employees per enterprise showed great variability with construction companies having up to 12 people employed. The average number of employees per enterprise was 2.5 and most of the employees (more than 60 per cent) were non-family members. The informal enterprise owners reported high profitability figures especially in the flea market class. The profit figures reported tended to be very high when compared with similar studies in sub-Saharan Africa but not significantly higher than those reported in similar studies conducted in Zimbabwe (such as Mhone, 1995).

By the time the study was conducted (September 2009), most of the negative effects of state failure (hyperinflation) and some potentially lucrative economic rent opportunities (price and foreign currency controls) had disappeared. On the whole, the respondents were happy with dollarisation and the more stable trading environment. Most of them were now sourcing their products from local companies and most reported that their enterprises were more profitable than they had been the previous year. Stress due to long working hours was the main issue cited as a disadvantage of self-employment. Other disadvantages cited were lack of access to credit and harassment by authorities (this was largely limited to the street vendor class), erratic income and the lack of employment benefits.

From the results, it would appear that the respondents are happy in the informal sector and they see it as a viable alternative to the formal sector. In a crisis/failed state the formal sector where jobs are insecure (you can be laid off at any time in the private sector) and a public sector that pays a pittance the informal sector offers the entrepreneur a real chance to thrive. The high profits that can be obtained in the informal sector are clearly drawing a number of formal sector employees to it (either as part-time enterprise owners or as people who have decided to opt out of the formal sector). While this is probably not the case for the informal sector worker, informal sector enterprise owners seem to be satisfied with their earnings as the findings show. Their level of satisfaction is probably higher than that of similarly qualified workers in the formal sector – suggestions of moving to the formal sector under the current economic circumstances were actually met with derision by most respondents.

The study indicates that the crisis/failed state has clearly created some opportunities for a segment of the population. While the informal sector is playing an ameliorative role as an income-generating safety net for most self-employed workers in Harare, the comparatively

well-educated respondents selling high end products in the suburbs seem to have actually benefited from the conditions of state failure. The low salaries in the formal sector coupled with job insecurity have meant that the informal sector is increasingly viewed as a more preferable employment option. The returns from this type of activity have even encouraged a number of formal sector workers to increasingly participate in this sector to make ends meet. The generally high satisfaction levels of self-employed informal workers should therefore be seen in this light – with the ability to feed themselves and with higher incomes than those in the formal sector, they clearly perceive themselves as being comparatively well-off

5.3 Study limitations

The findings from this study have a number of limitations. Due to the survey's reliance on purposive sampling based on the researcher's judgment without the intention of achieving randomness, the sample is prone to bias and its adequacy is limited by the researcher's ability to perceive differences in the target population. The methodology used does not allow for the extrapolation of the findings and the conclusions drawn do not necessarily apply to the urban self-employed informal sector workers as a whole. While it is possible to generalize and draw some inferences from the sample, the fact that random sampling was not used means that the findings from this study will, strictly speaking, describe the conditions of the respondents.

5.4 Conclusion: Policy and research implications

The study findings from this study are different from earlier Zimbabwean studies on informalisation in a number of respects. The urban informal sector seems to have undergone a number of changes as a result of state failure. This has not only created an influx of workers into the informal sector but also seems to have fundamentally changed the way the informal sector is viewed. For a number of workers (the entrepreneurs), the informal sector is no longer viewed as a residual employer of last resort as was the case with early Zimbabwean literature in this area (ILO/SATEP, 1984; Mhone, 1995). For those who have the start-up capital and the acumen, this sector promises much higher returns than those obtained in most formal sector jobs and the reported profitability figures seem to indicate this. Clearly under the current circumstances, most self-employed workers would rather remain in this sector than to move to the formal sector. In fact as a result of state failure, some of the informal enterprises

are really operating at the frontier of the formal/informal sector divide and have all the characteristics of a formal enterprise *sans* the payment of VAT.

Although the number of people employed by these informal enterprises has grown significantly as a result of this crisis, these numbers are still too low for the informal sector enterprises to be considered significant employers in the economy. What might be of interest to the policy makers is the widening of the tax base so as to increase the revenue that is collected from the informal enterprises. The fairly high profit figures reported and the willingness of most self-employed owners to formalise should be encouraged. Most informal sector activities are of a retail nature and therefore this sector cannot be considered to be meaningfully contributing to national output in the same way that most formal sector enterprises generally do. Nevertheless, in a crisis/failed state where there are few alternatives, the growth of the informal sector must be encouraged due to its distributional safety-net function. The policy challenge is to come up with incentives that support this sector on the way to eventual formalisation through such things as capital for expansion and skills training for individuals who show business potential. Given the fact that the state is not in a position to offer this support in Zimbabwe due to legitimacy problems and fierce control for power that has been raging for over nine years, the onus therefore falls on NGOs to offer this kind of assistance.

Recommendations

The recommendations made in this section are linked to the original study objectives and the research findings. They emphasise those areas which, from the study, were not conclusive or were not adequately covered. While this seems to be one of the first studies to explicitly look at the informal sector self-employed and assess the way they operate in the high-end suburban sector (which has largely been excluded from informal sector research) and also do a comparative analysis based on different activity classes in Zimbabwe, there are still research gaps that exist. There is a clear need to analyse the way the informal sector operates in the poorest urban areas of Zimbabwe – the informal settlements. This study (like most of the ones that preceded it), when disaggregating on location focused on the townships of Glen View and Highfields in Harare.

Although this is where most of the low-income respondents live, these townships cannot be compared to the informal settlements which many people have made their homes. Townships

in Harare tend to have fairly good road networks with most houses having access to electricity, running water and sewage system (although in many areas this is no longer functioning properly). Most informal sector research has focused on the low to middle-income groups. This study was an attempt, among other things, to capture the high-income group. There is therefore a need for future research to incorporate the poorest segment of society in informal sector research.

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APPENDIX A: Questionnaire

Informed Consent Form

(To be read out by researcher before the beginning of the interview. One copy of the form to be left with the respondent; one copy to be signed by the respondent and kept by the researcher.)

My name is Godwin Dube (student number 209522052). I am doing research on a project entitled 'A study of the urban self-employed in Harare'. This project is supervised by Prof. Imraan Valodia at the School of Development Studies, University of KwaZulu-Natal. I am managing the project and should you have any questions my contact details are:

School of Development Studies, University of KwaZulu-Natal, Durban.

Cell: +263 912217826 or +27 726634548 Tel: 04 776809. Email: gdube@iit.edu or 209522052@ukzn.ac.za.

Thank you for agreeing to take part in the project. Before we start I would like to emphasize that:

- your participation is entirely voluntary;
- you are free to refuse to answer any question;
- you are free to withdraw at any time.

The interview will be kept strictly confidential and will be available only to members of the research team. Excerpts from the interview may be made part of the final research report. Do you give your consent for:
(please tick one of the options below)

Your name, position and organisation, or	
Your position and organisation, or	
Your organisation or type of organisation <i>(please specify)</i> , or	
None of the above	

to be used in the report?

Please sign this form to show that I have read the contents to you.

----- (signed) ----- (date)

----- (print name)

Write your address below if you wish to receive a copy of the research report:

Name of Interviewer:	Date of Interview:
Questionnaire Number:	
Activity Class:	1. Flea Market 2. Street Vendor 3. Home Industry 4. Home-based enterprise
Location of Enterprise:	1. Low Density suburb 2. High density suburb/Township 3. Central Business District
Is the enterprise registered?	1. Not Registered 2. Companies Act 3. Licensed only 4. Companies Act, Income Tax, VAT & Licensed 5. VAT 6. Income Tax IF NOT CODE 1, 2 OR 3, TERMINATE INTERVIEW

Note: A formal sector enterprise is one which is registered in terms of the companies act and registered for either income tax or VAT or both income tax and VAT.

1. ENTERPRISE OWNER DETAILS

I am going to ask you questions about yourself

1	2	3	4	5	6	7	8	9
<p>Sex</p> <p>1. Male</p> <p>2. Female</p>	<p>How old were you on your last birthday?</p> <p><i>Enter age in years</i></p>	<p>What is highest level of education you have completed??</p> <p>00. None</p> <p>01-07. Grade 1 to 7</p> <p>11-16. Form 1 to 6</p> <p>20. Diploma/certificate after primary</p> <p>21. Diploma/certificate after secondary</p> <p>22. Undergraduate degree</p> <p>23. Postgraduate</p>	<p>What is your marital status</p> <p>1. Never married</p> <p>2. Married /Living together</p> <p>3. Divorced /Separated</p> <p>4. Widowed</p>	<p><i>If code 2 in Q 4</i></p> <p>What does your spouse/partner do?</p> <p>1. House husband/wife</p> <p>2. Retired</p> <p>3. Unemployed</p> <p>4. Formal Sector worker</p> <p>5. Informal sector worker</p> <p>6. Other, please specify</p> <p>7. Student</p> <p><i>For other, describe in 2 - 4 words e.g. "communal farmer"</i></p>	<p>How many children do you have?</p> <p><i>Write the number of children</i></p>	<p><i>If code is not 00 for Q 6</i></p> <p>How many do of your children do you live with?</p> <p><i>Write the number of children</i></p>	<p>How many people are in your household?</p> <p><i>Write the number of people in household</i></p>	<p>Are you the sole breadwinner?</p> <p>1. Yes</p> <p>2. No</p>
<p>1 2</p>			<p>1 2 3 4</p>	<p>1 2 3 4 5 6</p>				<p>1 2</p>

2. ENTERPRISE OWNER EMPLOYMENT BACKGROUND

I am now going to ask you questions about your employment background

10	11	12	13	14	15	16	17	18	19	20
<p>Were you employed before starting this business?</p> <p>1. No</p> <p>2. Yes, in the formal sector</p> <p>3. Yes, in the informal sector</p> <p>4. Other, please specify</p> <p><i>Two word answer e.g. "communal farming"</i></p>	<p><i>If code is not 1 for Q 10</i></p> <p>How long ago was this?</p> <p><i>Write number of years</i></p>	<p><i>If code is not 1 for Q 10</i></p> <p>For how long were you employed in this job?</p> <p><i>Write the number of children</i></p>	<p><i>If code is not 1 for Q 10</i></p> <p>What was your occupation or job title?</p> <p><i>At least two word answer e.g. "School Teacher"</i></p>	<p><i>If code is not 1 for Q 10</i></p> <p>Which industrial sector were you employed in?</p> <p><i>At least one word answer e.g. "Manufacturing"</i></p>	<p><i>If code is not 1 for Q 10</i></p> <p>Why did you leave your job?</p> <p>1. Resigned</p> <p>2. Retrenched</p> <p>3. Voluntary retirement</p> <p>4. Retired</p> <p>5. Fired</p> <p><i>Other, Please specify</i></p>	<p><i>If code is not 1 for Q 10</i></p> <p>Before the last job, were you employed?</p> <p>1. No</p> <p>2. Yes, in the formal sector</p> <p>3. Yes, in the informal sector</p> <p>4. Other, please specify</p> <p><i>Two word answer e.g. "communal farming"</i></p>	<p><i>If code is not 1 for Q 16</i></p> <p>How long ago was this?</p> <p><i>Write number of years</i></p>	<p><i>If code is not 1 for Q 16</i></p> <p>For how long were you employed in this job?</p> <p><i>Write number of years</i></p>	<p><i>If code is not 1 for Q 16</i></p> <p>What was your occupation or job title?</p>	<p><i>If code is not 1 for Q 16</i></p> <p>Why did you leave?</p> <p>1. Resigned</p> <p>2. Retrenched</p> <p>3. Voluntary retirement</p> <p>4. Retired</p> <p>5. Fired</p> <p><i>Other, Please specify</i></p>
1 2 3 4					1 2 3 4 5 6	1 2 3 4				1 2 3 4 5

3. ENTERPRISE BACKGROUND & CHARACTERISTICS

I am now going to ask you questions about your business

21	22	23	24	25	26	27	28	29
<p>When did you start this business?</p> <p><i>Write the Year</i></p>	<p>How did you get capital to start the business?</p> <p>0. Did not need any capital 1. Used own capital 2. Used household capital 3. Borrowed from friends/relatives 4. Personal loan from a private lender 5. Personal loan from a bank 6. Loan from a microfinance Institution 7. Other, please specify</p> <p><i>Read out options Multi-mention allowed</i></p>	<p>How much money did you need to start your business?</p> <p><i>Write the amount</i></p>	<p>Do you maintain a bank account for the business that is separate from your private/family account?</p> <p>1. Yes 2. No</p>	<p>What activities is your enterprise engaged in?</p> <p>Examples: <i>Selling foodstuffs, cigarettes, clothing items. Repair services, manufacturing</i></p>	<p>How many paid employees do you have in your business?</p> <p><i>Not including owner</i></p>	<p>How many of your employees are family members?</p> <p><i>Write the number</i></p>	<p>How many employees are permanent?</p> <p><i>Write the number</i></p>	<p>Have you increased or decreased the number of permanent workers over the past six months?</p> <p>1. Increased 2. Decreased 3. Neither</p>
	0 1 2 3 4 5 6 7		1 2					1 2 3

30	31	32	33	34	35	36	37	38	39
<p><i>If code is not 1 for Q 29</i></p> <p>Why have you increased the number of workers?</p>	<p><i>If code is not 2 for Q 29</i></p> <p>Why have you decreased the number of workers?</p>	<p>Do you pay a salary or a piece-rate (commission)?</p> <p>1. Salary</p> <p>2. Commission</p> <p>3. Salary and Commission</p>	<p>How do you decide how much to pay your employees?</p> <p>1. I look at wages for similar work in other informal business</p> <p>2. I look at wages for similar work in formal businesses</p> <p>3. Based on what they sell</p> <p>4. Other, please specify.</p> <p><i>Multi-mention allowed</i></p>	<p>How has the economic situation of the past 8 years affected your enterprise?</p>	<p>How do you acquire inputs for the services that you offer or the goods that you sell?</p> <p>1. Make them or grow them myself</p> <p>2. Buy them from other informal traders</p> <p>3. Buy them from formal traders</p> <p>4. Import them myself</p> <p>5. Other, please specify</p> <p><i>Read out options</i> <i>Multi-mention allowed</i></p>	<p>Where is the enterprise located?</p> <p>1. Flea market</p> <p>2. On a footpath, street, street corner, open space or field</p> <p>3. In the owner's home</p> <p>4. Site set aside by local authority</p> <p>5. No fixed location</p> <p><i>Other, please specify</i></p>	<p>Why do you choose to operate at this site? Is it because it is:</p> <p>1. Close to other informal traders that sell similar goods or offer similar services.</p> <p>2. Close to other informal traders that sell different goods or offer different services.</p> <p>3. Far from other informal traders that sell similar goods or offer similar services.</p> <p>4. Only site I could get</p> <p>5. Allocated by council</p> <p>Other, please specify.</p>	<p>Is this the only site where you operate your enterprise from?</p> <p>1. Yes</p> <p>2. No</p>	<p><i>If code is 2 for Q 38</i></p> <p>If you operate at different sites do you offer the same services or sell different goods at different sites?</p> <p>1. Yes</p> <p>2. No</p>
		1 2 3	1 2 3 4		1 2 3 4 5	1 2 3 4 5 6	1 2 3 4 5		1 2

40	41	42	43	44	45	46	47	48	49
<p>Why do you offer the services or sell the types of goods that you do?</p> <p>1. It's what the customers want 2. It's what other informal traders sell 3. It's what the formal traders around here sell Other, please specify</p>	<p>How do you finance your business operations?</p> <p>1. From profits 2. Trade credit from other informal traders 3. Trade credit from formal traders 4. Other, please specify</p> <p><i>Multi-mention allowed</i></p>	<p>Approximately how much profit do you make a month?</p>	<p>Is your enterprise more profitable now than it was a year ago?</p> <p>1. More profitable 2. Less profitable 3. About the same as last year</p>	<p>Does your enterprise allow you to support yourself and your family?</p> <p>1. Yes 2. No</p>	<p>Who are your main customers?</p> <p>1. General public 2. Other Informal traders 3. Formal traders</p> <p><i>Multi-mention allowed</i></p>	<p>Do you have access to the following close to where you operate from?</p> <p>1. Toilets 2. Shelter 3. Water 4. Electricity 5. Refuse removal</p>	<p>Do you belong to a business association?</p> <p>1. Yes 2. No</p>	<p>If a member of association, which association is this?</p> <p><i>E.g. Hawkers' Association</i></p>	<p>What are the benefits of association membership?</p>
1 2 3	1 2 3 4		1 2 3	1 2	1 2 3	1 2 3 4 5	1 2		

4. PERCEPTIONS OF BENEFITS & CONSTRAINTS

I am now going to ask you questions about your perceptions of benefits and constraints of being self-employed

50	51	52	53	54	55	56	57	58
<p>What are the advantages of self-employment?</p>	<p>What are the disadvantages of self-employment?</p>	<p>How much time, in hours, did you spend working in your enterprise in the last seven days?</p>	<p>Would you like to spend more or less time working in your enterprise?</p>	<p>Are you more satisfied in your current job than you were a year ago?</p> <p>1. Yes</p> <p>2. No</p> <p>3. Neither satisfied nor dissatisfied</p>	<p>If a suitable job is offered in the formal sector, would you accept it?</p> <p>1. Yes</p> <p>2. No</p> <p>3. I don't know</p>	<p><i>If code for Q 52 is not 2</i></p> <p>What salary would motivate you to accept a job in the formal sector as an employee?</p>	<p>Have you considered formalising your enterprise?</p>	<p>Why do you not formalise?</p>
				<p>1 2 3</p>	<p>1 2 3</p>			

59	60
<p>Do you think there are advantages to formalising your enterprise?</p> <p>1. Yes</p> <p>2. No</p> <p>3. I'm not sure</p>	<p>Do you think that the work you do is viewed as economically important?</p> <p>1. Yes, by customers</p> <p>2. Yes, by my suppliers</p> <p>3. Yes, by the local authorities</p> <p>4. No</p> <p>5. I don't know</p> <p><i>Multi-mention allowed</i></p>
<p>1 2 3</p>	<p>1 2 3 4 5</p>