

Formalisation of the Informal Sector in Zimbabwe, a Key Success Factor to Sustainable Development

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Abstract: *The study was meant to establish how the informal sector could be of significance to the socio-economic development of Zimbabwe as well as enhancing sustainable development, given the fact that this sector has become Zimbabwe's largest employer. About 85% are employed by this sector, earning their living together with their families. About \$7 billion is alleged to be circulating within the sector but "outside" best practice of involving the banking sector as well as contributing towards the fiscus. This sector is largely characterized by stagnation despite lots of potential to develop into commercial SMEs. Its phenomenal growth is attributable to the demise of the formal sector whose big industries have downsized resulting in massive retrenchments. Major findings were; non business registration by the sector operators, non remittance of taxes, non compliance with labour, health and safety laws, lack of business skills, prevalence of unethical conduct, poor technology, inadequate infrastructure and operating under heath hazardous conditions. There is need for key stakeholders such as local authorities and the government to ensure that the players comply with statutory obligations and city by-laws. That would enhance their sustainable development and positive contribution to the economy too.*

Definition of key terms

- **Formalisation** – legitimising operations of the informal sector by ensuring that they are registered and comply with statutory requirements such as tax remittances.
 - **Informal sector** – sector which encompasses jobs which are not recognised as normal income sources and on which taxes are not paid.
 - **Key success factor** – one of the most important aspect required to accomplish one or more desirable business outcomes.
 - **Stagnation** – No growth of the informal sector as operations are merely intended for mere survival without intending to expand operations.
 - **Sustainable development** – growth that should be aimed at reducing poverty and build shared prosperity of today's generation and to continue meeting future generations needs and expectations.
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I. Introduction

Unemployment is probably one of the most widely talked issues particularly in developing nations most of which are in Africa. High unemployment levels have seen an unexpected growth of the Informal sector in Africa and even beyond and are seen as catalysts of ever increasing crime rates and social decadence. The growth of the Informal sector has a lot of implications on labour issues and has been viewed as counter attractive to national goals and policies. At times .the blame has been shifted to economic saboteurs, for example in Zimbabwe, the ruling government puts the blame squarely on Western countries (Britain and her allies).

It is against this background that this researcher/writer was enticed to look more into the informal sector and get better insights about its operations as well as labour issues pertaining to this sector . The study in essence largely covers the background to the study, research objectives, methodology, major findings and recommendations .

II. Background to the Study

In 2007and 2008, Zimbabwe set one of the ever highest inflation records in the world of around three hundred million percent. Most formal businesses struggled. The majority were liquidated and others downsized their operations (Reserve bank of Zimbabwe quarterly report, June 2009).

There was economic meltdown which culminated in the dollarization of the Zimbabwean economy in February 2009 under the Government of National Unity (GNU) as the Zimbabwean dollar had been constantly depreciating. A lot of small businesses mushroomed all over the country particularly in the capital city of Harare but majority of these were in the informal sector and they have not been properly registered even up to today.

According to the Financial Gazette, a weekly newspaper of 6 October 2013 edition, Zimbabwe had one of the highest informal sectors in the world constituting of about 85% employment in the country.

The collapse of the local industry which is struggling to resuscitate itself, has worsened unemployment rate in the country.

There is a serious problem of stagnation in the informal sector but it has lots of potential to grow into commercial SMEs (Small and Medium enterprises). The informal sector has been found wanting also in other areas as it evades tax payments/remittals to government, a lot of enterprises are not formally registered and there is also non compliance with regard to health, safety and welfare concerns of workers. The operators do not insure their properties and even workers.

During the economic reforms of 1990, spearheaded by the Economic Structural Adjustment Programme (ESAP), a lot of companies folded since there were a lot of reforms such as market deregulation policy which attracted a lot of powerful foreign competitors attributable to the removal of government subsidies and price controls. Since then, the situation has continued to deteriorate although stabilized a bit after the dollarization of the economy in February 2009 but a lot of companies had already gone into liquidation which culminated in millions of Zimbabweans losing their jobs. Even to date, a number of companies continue to restructure their operations by downsizing (massive retrenchments) and this has resulted in high levels of unemployment in the formal sector. This has seen phenomenal growth of the informal sector in which the jobless are finding reprieve to make 'ends meet' as they have families to sustain (CZI report, 2014).

If there is effective leadership in this sector, the country could witness a transformation of this sector into more formal and organized SMEs (Small and Medium Enterprises) and even develop into large companies in the long run. This could result in improved formal employment as well as economic growth and standard of living.

III. Statement of the Problem

The Zimbabwe economy has been underperforming for quiet sometime and the domestic industry has been so much affected that a number of companies have been liquidated, some have downsized their operations and a number facing an uncertain future. This has culminated in the growth of the informal sector which has become the largest employer constituting about 85 % of the national employment statistics (source, CZI 2014 report). The informal sector has failed to contribute much to the national economy due to a combination of factors such as resistance to transform and non compliance. There is no effective framework in place to ensure that the Informal sector makes contributions to the fiscus through payment of taxes or registration fees to legitimise their operations. The sector seemed not to contribute any insurance and medical cover to its employees and there was almost total disregard of labour laws.

It is also worrying to note that the Centre for International Private Enterprise (CIPE) and US Chamber of Commerce in 2010 rated Zimbabwe as the leading country with informal sector activity but concluded that such a large informal sector inhibits economic growth.

Conclusively, the informal sector is not making any much economic significance to Zimbabwe at the moment especially in Harare which has the highest number of cases.

This study wanted to find out why this promising sector remained stagnant and what should possibly be done to streamline its operations for sustainable development.

IV. Study Objectives

1. To establish the level of business acumen/skills inherent in the informal sector
2. To establish challenges contributing to business stagnation in the informal sector
3. To determine the level of compliance of the informal sector to statutory requirements.
4. To recommend strategies that should help the formalisation of the informal sector for sustainable development.

V. Literature Review

Distinguishing Characteristics of the Informal Sector

According to (ILO, 2006) the distinguishing characteristics of the informal sector are given and categorized under employment, enterprise, habitat and credit as shown and detailed as follows:

Employment

Characteristics of the people engaged in the informal sector

1. Absence of official protection and recognition
2. Non coverage by minimum wage legislation and social security system
3. Predominance of own-account and self-employment work
4. Absence of trade union organization

5. Low income and wages
6. Little job security
7. No fringe benefits from institutional sources

Enterprise

Characteristics of the activities in the informal sector:

1. Unregulated and competitive markets
2. Small scale operations
3. Ease of entry
4. Reliance on locally available resources
5. Family ownership of enterprises
6. Labour intensive and adapted technology
7. Absence of access to institutional credit or other support and protection.

Habitat

Characteristics of the informal sector land and housing:

1. Unauthorized use of vacant public or private land
2. Illegal subdivision and/or rental of land
3. Unauthorized construction of structures and buildings
4. Reliance on low cost and locally available scrap construction materials
5. Absence of restrictive standards and regulations
6. Reliance on family labour and artisanal techniques for construction
7. Non-availability of mortgage or any other subsidized finance

Credit

Characteristics of informal credit markets:

1. Unregulated and non-subsidized
2. Easy accessibility
3. Availability in very small size and for short terms
4. Low administrative and procedural costs
5. Little or no collateral requirements
6. Flexible interest rates (from very high to no interest at all)
7. Highly flexible transactions and repayments tailored to individual needs

Drawing from the above ILO listed characteristics, the informal sector activities seem to embrace all facets of economic activity albeit with a high propensity for a high level of non compliance with the business best practices.

The size, non-regulation, low cost, low capital requirements and easy accessibility makes the informal sector a more favoured choice for those who are out of formal employment or who after completing some form of training or equipping themselves with some skill, fail to be absorbed into the formal sector. This is most likely propelled by the survival instinct more than anything else.

Characteristics of Harare's Informal Sector

The characteristics given by the ILO (2006) seem to be generally prevalent in the whole of Zimbabwe's local informal sector as well, as evidenced and supported by a study done by Briscoe(1999) on selected areas of Harare's informal sector such as Mbare, Machipisa and Gazaland in Highfield.

Of major exception, is that most of the informal sector traders operate on designated and allocated stalls for which they pay a fee to the local authority, City of Harare which shows that they are authorised by the city fathers despite wide condemnation of their operations by other stakeholders like the department of company registration, the Zimbabwe Revenue Authority (ZIMRA) and other registered retailing shops. However some owners of stalls seem to sub-let their stalls to non-licensed vendors for a fee which is paid monthly.

Briscoe (1999) concluded that the informal sector in Zimbabwe comprises those enterprises which are not registered under the Companies or Co-operatives Acts, irrespective of whether or not they are licensed by the local authorities; the enterprises are family owned, the sector is easy to enter and exit, operators rent space from individuals with property, or local authorities, operators undertake small scale operations, the sector is labour intensive, the enterprises are staffed by the owner, or relatives or a small number of employees, operators use their own financial resources, and the sector operates outside the fiscal framework of the economy.

The above observations seem to point to a fragmented sector without any form of conformity with regulation and lacking control, organization and orderliness. Illegal activities such as dealing in drugs, prostitution, smuggling etc. usually find their way into such an unregulated sector according to Mpofu (2012).

According to a ZIMSTAT survey, 2012, the total employed population in Zimbabwe aged 15 years and above was estimated to be 5.4 million and of that 4.6 million (84%) were considered to be in informal employment, 606 thousand (11%) were in formal employment and 252 thousand were in employment not classifiable (5 %). Females constituted 53% of those in informal employment and 29 % of the formally employed.

Possible reasons for the growth of the informal sector and its characteristics

According to the Confederation of Zimbabwe Industries(CZI, 2012), it is likely that the growth in the informal sector in Zimbabwe was fuelled by the closure of factories, due to a number of factors which include; lack of foreign aid and foreign investment largely because of imposed economic sanctions by western countries created by irreconcilable differences with the Zimbabwe government's ruling party, ZANU PF, high levels of corruption particularly in state enterprises (parastatals) which has seen majority facing bankruptcy, retrogressive policies based on empowering a few powerful politicians at the expense of the majority and even foreigners etc. This has resulted in most companies struggling , downsizing or closing; thus rendering some skilled and unskilled workers redundant.

In Zimbabwe, those companies that have not closed are operating below their capacity levels. According to the same CZI, 2012 report, capacity utilization in the manufacturing sector has declined from 57.2% to 44.2%. This means that the character of the Zimbabwe's informal sector is likely to be inclusive of skilled, semi-skilled and less educated individuals. The composition of the characteristics creates a window of opportunity to harnessing the vast potential that arises from the available skills that are possessed by those in this informal sector born out of redundancy and downsizing.

Those who could not find their way into the Diaspora or join the brain drain bandwagon, were possibly lured to the informal sector in order to irk a living. Unlike in the past, the characteristic composition of the persons in the informal sector employment is therefore at the present multi skilled. .

Zimbabwe is said to have a high level of literacy of 90.9% (African Globe, 2013) as per the Africa Literacy Ranking 2013 and as such it would be highly unlikely that the informal sector would be dominated by uneducated and unproductive people. An assessment of one of the informal sector markets at Siyaso in Harare seemed to point to a high level of education as most people there indicated that they had at least four 'O' Levels according to Mpofu(2012).

Non-Regulation of informal sector

The study of literature seems to conclude that the informal sector in both the developed and developing countries operate outside regulation without any form of recognition. Most countries prefer to put the informal sector activities under the authority of local authorities or municipalities and Zimbabwe is not exceptional.

Role of banks in driving informal sector

live Mphambela writing in www.newsday.co.zw (24 April 2015) said that one of the key economic questions of our present day is how the formal financial system can harness resources that are circulating outside the ambit of formal banking. He said that various studies have been carried out and estimates ranging from \$2 billion to \$7,4 billion have been proffered as the quantum of resources circulating in the informal sector.

He said that, however, it would not be productive to sit and debate whether the figure is, in fact, \$2 billion or \$7,4 billion as there is generally agreement and broad consensus that the economy has to somehow tap into this resource so that some of the economy's liquidity challenges may be ameliorated. Banks have been identified as having a key economic role in promoting and driving informal sector growth and development. The promotion of business linkages between formal and informal sectors becomes a key challenge that must be addressed.

In this regard, a holistic, multi-sectoral and multi-stakeholder partnership approach involving the government, development partners and the private sector is required in order to come up with a framework for driving the competitiveness of the informal sector. Such a partnership should promote the growth and survival of Micro, Small and Medium Enterprise businesses (MSMEs) through capacity and capability enhancement on one hand, while improving the policy environment for larger formal businesses to flourish on the other.

Comprising over 65% of Zimbabwe's private sector, the MSMEs were considered to be critical in accelerating economic growth through the expansion of productive jobs, potential for tax revenue and export growth, as well as through the reduction of the country's import bill by substituting imports.

According to Mphambela, most of Zimbabwe's MSMEs are generally not only unable to meet business standards required to deal with formal businesses on such crucial competitive issues as price, quality and volumes, but are also found wanting in basic governance standards.

He said that in spite of such limitations, the larger formal businesses, particularly banks, are found to be ready to upgrade business relationships with MSMEs into long-term relationships, provided the MSMEs commit themselves to remedy identified shortcomings.

Such linkages with formal business can be facilitated in a number of ways. One of the ways in which banking sector can become a vehicle for fast-tracking the creation of dynamic linkages between the formal and informal sectors is through the structuring of innovative financing tools such as SME bonds.

These bonds enable deserving SMEs which have a formal structure with a dedicated membership to raise money from the formal sector, i.e. pension funds and insurance companies, something that the SMEs would not be able to do by themselves.

So banks, in creatively carrying out their intermediation role, can play a big part in “connecting” the formal financial markets to the informal sector players in a mutually beneficial fashion. The institutional investors in the bonds also have an opportunity to evaluate the SMEs who are benefiting and such knowledge sharing helps the overall financial sector in understanding the SMEs better, enabling future innovations.

The multi-sectoral, multi-stakeholder approach is demonstrated in this instance as the government has accorded these SME bonds both prescribed asset status and liquid asset status to enhance their investment appeal.

However, according to Mphambela it is important to note that for banks and investors to participate in the SME sector, there is need for SMEs to have a robust, disciplined and focused membership driven organisation.

Mphambela also believed that the banking sector can facilitate linkages between formal and informal sector businesses by designing appropriate value chain financing mechanisms for the various subsectors of the economy. Experience has shown that countries that facilitate the development of sustainable formal-informal sector linkages can upgrade their local productive capacities and enhance their industrial performance by integrating their MSMEs into local and global supply chains of large firms..

The domestic value chain finance model can be formulated to nurture local MSMEs to meet international business standards and encourage large local and foreign businesses to source from the local MSMEs instead of sourcing from foreign firms.

Locally, the value chain finance has been prominent in the priority sector of agriculture where banks and large players in the formal sector have teamed up to provide funding for the production of cotton, tobacco and sorghum. Large firms in the telecoms and beverage distribution sector have a significant presence in the informal sector as most of their sales are conducted by informal traders.

Mphambela emphasized that strengthening linkages between informal and formal sectors will result in tremendous improvement in operations of MSMEs which can be observed in various areas such as:

- (i) Competitiveness of MSMEs through facilitating technological, knowledge and management skills transfer and capital injection,
- (ii) Behavioural transformation as entrepreneurs display much higher commitment to the fulfilment of contracts,
- (iii) Growth in revenue and employment numbers,
- (iv) Increased domestic sourcing by transnational corporations and large local companies, leading to import substitution,
- (v) The creation of higher quality jobs and/or their preservation,
- (vi) The increased ability of commercial banks and other financial service providers to provide credit and other financial products to MSMEs due to improved attractiveness,
- (vii) Strong and deeply rooted local supply chains emanating from the MSME sector to the formal corporate,
- (viii) A more dynamic private sector,
- (ix) An increased capacity to attract foreign direct investment as the informal sector becomes more organised and accountable,
- (x) Increased contribution of the informal sector to direct and indirect taxes will enhance overall economic performance and the economy will become easier to measure and there will be better policy responses to policy as the size and extent of the informal sector players can be more easily ascertained or more accurately estimated.

Informal sector should be organised

According to an article in www.zimmail.co.zw (5 February 2015) there was urgent need for the informal sector to be organised. The report noted that when one strolls through the streets of any large city in Zimbabwe, street vendors will be buzzing, selling different wares, among them vegetables, electrical appliances,

clothes and airtime, to mention only a few, depicts the importance of the informal sector to Zimbabwe's economy.

According to this report the Local Government minister, Ignatius Chombo in February proclaimed that all vendors operating in the Central Business District (CBD) should be chased away from the streets, alleging that they were compromising health standards while he was addressing mayors and council chairpersons at the 73rd Urban Councils Association of Zimbabwe's annual general meeting held in Bulawayo.

The article further indicated that there were very few toilets in the CBD that were capable of accommodating the large numbers of vendors who spent the entire day selling their commodities in the city. Therefore, there was need for the vendors to be relocated where there was adequate sanitation.

The Ministry of Local Government should, therefore, be urged to relocate all vendors in appropriate areas such that they don't obstruct the public who will be shopping or conducting other business in towns.

In the same article by www.zimmail.co.zw, the same should also be applied to pirating drivers. These pirating drivers should be positioned in designated areas where they should also pay a certain amount as royalty for their services. City fathers should avoid playing hide and seek with pirating drivers, instead they should regularise them.

The growth of the informal sector could greatly contribute towards the achievement of poverty reduction and food security. This is so because there are many people engaged in small to medium business practice, informally.

According to www.zimmail.co.zw, it is imperative to note that informal employment is becoming the main mode of employment in other countries, especially in China. According to the report, the Chinese labour market depends on informal jobs, no wonder why China has proved to be one of the fastest growing economies in the contemporary world. Informal employment in China is mainly on farms and manufacturing plants. China is one of the most successful nations, and has survived through informal employment.

In China, this concept was first introduced by authorities in Shanghai in 1996. Informal employment in China was a result of the massive downsizing by the state, the rapid expansion of the private economy, and the mass migration of surplus rural labour to urban areas..

According to www.zimmail.co.zw, without any doubt, the informal sector dominates Zimbabwe's economy. Vendors should be allocated stalls on the periphery of the central business district; hence, the responsible ministry should put an effort in improving the working environment for these hawkers. If vendors are organised, the government will increase its revenue base through collection of royalties from this promising sector. City fathers (Local authorities) should organise vendors such that they would be able to collect a certain charge from each vendor per day.

An effective regulatory framework of the informal sector could assist in reducing poverty. It is alleged that the informal economy in Nigeria is about two-thirds the size of its formal economy. It's largely composed of people distributing goods from other countries rather than producing their own marketable goods. This confirms well that the majority of the people across Africa works informally for survival.

According to www.zimmail.co.zw, there were usually two lines on opposite sides of the road consisting of hundreds of vendors selling wares that meander for more than a kilometre e.g. the lines stretch from the heart of Harare's densely populated suburb of Mbare into Harare's central business district (CBD) where hundreds more vendors line the pavements and street sidewalks like busy ants.

Hundreds more vendors are tightly packed in a flea market called Mupedzanhamo or poverty reliever, is the country's most vibrant and densely populated open market.

Outside the market's dirty and damaged precast wall, thousands more people everyday set up shop to eke out a living in a trade where competition is tough and stiff among merchandisers of both imported and locally produced goods.

According to www.zimmail.co.zw besides the cut throat competition, the vendors have to endure endless cat and mouse battles with both the Harare Municipality Police and the Zimbabwe Republic Police, who appear determined to bring sanity on the streets where the law of the jungle now rules in the wake of the country's unprecedented unemployment rate which has forced many into the informal sector. Harare streets are a typical example of the dangers of an unbridled informal sector.

Because the informal sector is not answerable to anyone, it thrives on chaotic governance to a point that the speed with which vendors return back to the streets each time they are driven away by police indicates the extent of Zimbabwe's economic crisis and how this crisis is taking its toll on ordinary citizens.

But still, because of the poor remuneration among the employed, members of the police force have taken advantage of the situation to also protect vendors at a fee; at times goods confiscated by the corrupt police officers end up being sold in the suburbs, where officers' wives or relatives and friends also operate market businesses to survive.

Informal sector contributing around 20% of Zimbabwe's GDP

According to www.bulawayo24.com (6 June 2013), the informal sector contributes around 19.5% of Zimbabwe's gross domestic product or a total value added of \$1.73 billion.

According to figures from ZIMSTAT, the total value added for the informal non-farm activities is \$810 million while the value added from households engaged in agriculture is \$921.4 million giving a total \$1.73 billion. ZIMSTAT released a report which showed that about 20% of Zimbabwe's GDP comes from the informal sector.

According to the data, more females 54.6% than males 45.4% are employed in the informal sector. The same pattern is however not observed across provinces in Harare where more males 55% compared to females 45% are employed in the informal sector.

Organizing the informal sector and recognizing its role as a profitable activity may contribute to economic development. This can also improve the capacity of informal workers to meet their basic needs by increasing their incomes and strengthening their legal status. This could be achieved by raising government awareness, allowing better access to financing, and fostering the availability of information on the sector.

Limited benefits from the informal sector

According to journalist Collins Rudzuna in www.theindependent.co.zw (Jan 24 2014), bankers estimated that billions of dollars change hands in the informal sector without ever circulating in the banking system. In various forums, the informal sector has been lauded for absorbing the glut of unemployed people in the economy. Indeed, the informal sector should be praised for being the saving grace for many people who would otherwise have no way of earning a living in a country where the unemployment rate is estimated to be around 85%.

Collins Rudzuna in the same article mentioned that many who praise the informal sector conveniently overlook to also mention that the growth of this parallel economy is partly the result of de-industrialisation. Once busy industrial hubs like the Workington area in Harare, now resembled ghost towns after manufacturing companies closed down. He said that some blame cheap imports for killing local industry, arguing that manufacturers closed down because they failed to compete with imports from China and other places.

Many also believe the myriad of economic problems of the hyperinflation years (2007-2008) are to blame.

Collins Rudzuna said whatever the real cause of the demise of Zimbabwe's manufacturing sector, one of the results of mass business closures was a flood of experienced and qualified workers who suddenly found themselves unemployed. Some left the country but many remained and took their skills to the informal sector.

The article mentioned that mechanics who had worked in assembly plants and service depots now plied their trade from home, places like Highfields' Gazaland or even under the trees. Carpenters who worked for companies like Tedco now worked in places like the Glen View furniture market where sofas can be made in an open field while one waited. Steel workers, leather upholsters, boilermakers and various other journeymen are other examples of the growth of self-employment.

While many say this new model where artisans work for themselves in small operations that they own is an example of empowerment, it has its disadvantages. For starters, economic reasoning suggests that it is inefficient because;

- (i) Efficient production usually requires division of labour among those with technical know-how and other support functions such as marketing, finance, human resource management, etcetera. Informal sector businesses, however, have a reputation for weaknesses in areas such as record-keeping and customer service.
- (ii) Additionally, if the informal sector was replaced by larger, more formal businesses, it would be easier for the authorities to enforce workmanship quality standards.
- (iii) Many people who work in the informal sector have no formal contracts and are sometimes subjected to treatment that is in violation of labour laws.
- (iv) Most informal businesses are not even registered and do not pay any income tax.

It is no secret that under-developed countries like Zimbabwe aspire to one day become developed. Looking at developed countries, one will notice that their informal sectors are very small and they rely more on bigger formally organised firms.

Collins Rudzuna further stressed that instead of celebrating mediocrity and hiding behind the fallacy of empowerment, perhaps Zimbabwe should be looking for ways to grow formal industry and get the manufacturing sector working again.

To get the formal sector working again, he said that, first, requires an understanding of what caused its demise in the first place. The way to go would be to concentrate on sectors where Zimbabwe has some natural advantage over others. Cigarette manufacturing is one such area. Because Zimbabwe is a leading tobacco

producer, it would be natural for it to forward integrate. The same can also be said for industries that rely on agricultural and mineral input. Diamond polishing and refining of platinum have long been proposed, but are yet to come to fruition.

If Zimbabwe's economy continues to have a high portion of industry in the informal sector, there is a great risk that the country will remain under-developed, more so now when the crop of qualified journeymen who left formal employment is being replaced by informally trained and inexperienced workmen.

The quality of work done by these latter people is just proof that the informal sector is fraught with mediocrity. Formal industrialisation is much more likely to lead to sustained growth, prosperity and development.

VI. Methodology

The planning and collection of data was premised on the following;

Research design

The survey design was used since it is one of the most important areas of measurement in applied social research. (Cresswell, 2003 & Kothari, 2004)

Population

The nature of business types largely characterising this study consisted of furniture making, motor vehicle mechanics, welding, dress making, block/brick moulding, fabrication, glazing, refrigeration, panel beating, shoe making/repairs, leather bag making, vegetable vending, flea markets and food catering. The population of informal traders at Mbare Musika, Siyaso, Magaba, Gazaland, Machipisa, Makomva, Area 8 and Mupedzanhamo was about 1 200. Each trader/operator employed on average 4 workers.

Sample and sampling technique

Stratified sampling technique was used as this researcher felt that there was need to accord each operator an equal chance to be randomly picked but after categorising the respondents according to specific trade areas or disciplines but also taking into account the proportionate numbers. A sample size of 85 respondents was finally used for this study after initially distributing 120 questionnaires (10% of target population). Response rate was therefore 78% which was quite satisfactory.

Research instrument

A structured questionnaire was used as respondents had the capacity to answer it given the high literacy level in Zimbabwe (90,9%) with majority having gone through secondary school education and even tertiary education.

Research ethics

These were upheld during the entire process of data collection up to analysis. No attempt was made to influence responses or to manipulate results as these were solely based on actual responses as well as observing anonymity on the part of respondents (Cresswell, 2004 & Njaya and Choga, 2011)).

Data presentation and analysis

Data that was collected was then presented using tables with frequency distributions and reflected as illustrations (diagrams and graphs). Data was then analysed using descriptive statistics measures mainly averages (measures of central location) and computer software package, SPSS.

VII. Major Findings

These have been aligned with the study research objectives on 1.2. The study was able to establish general challenges (operational constraints) facing the informal sector in Harare, Zimbabwe. The percentage (%) of responses pertaining to each challenge is given in brackets for each challenge or factor on Table 1 below.

Table 1 showing responses on the major constraints/challenges facing the Informal sector

Major Constraint or challenge	Yes	%	No	%	Total Frequency	Total %
Lack of government support	57	67	28	33	85	100
Poor marketing skills	49	57	36	43	85	100
Lack of funding	74	87	11	13	85	100
Stiff competition	63	74	22	26	85	100
Lack of business acumen & professionalism	76	89	9	11	85	100
Economic meltdown	81	95	4	5	85	100
Lack of technology	55	65	30	35	85	100
Theft	45	53	40	47	85	100
Lack of decent premises	39	46	46	54	85	100
Poor sanitation and lack of protective clothing	43	51	42	49	85	100
Non adherence to labour laws	76	89	9	11	85	100
Lack of involvement	73	86	12	14	85	100

1. Economic Meltdown (95%)

The economy in Zimbabwe is under performing with most formal businesses being liquidated fuelling unemployment. This has serious implications on disposable income of clients as majority would be jobless. In addition, the liquidity crunch facing the country due to the under-performing industry exacerbated by economic sanctions imposed on the country by developed western countries have seriously affected cash flows of the informal sector which is struggling to grow due to stagnation..

2. Lack of business acumen and professionalism(89%)

Issues to do with proper administration, management and leadership qualities are strongly lacking in the informal sector. There is no proper planning as the traders live by means of “hand to mouth” and decisions are on ad hoc basis. There are hardly any budgets to talk about. Business dealings are mostly done outside best practices and some involve shoddy (illegal) or unscrupulous deals.

3. Lack of funding (87%)

Due to lack of collateral security, the sector is shunned by most banks. They cannot access bank loans. There are hardly any savings and there is no growth of their businesses due to lack of recapitalisation. As a result, there is stagnation of their businesses.

4. Stiff competition (74%)

Since 1990, Zimbabwe adopted some macro economic reforms which included trade liberalisation. These market reforms allowed even foreign investors to compete with domestic players. With the reinforcement of economic sanctions imposed by the European Union and other developed countries like the USA and Australia since 2000, Zimbabwe has shifted its business focus to the Far East , notably China. There has been a proliferation of cheap imported products mainly from China and this has posed stiff competition to both the domestic formal and informal sectors. Most firms continue to downsize and those retrenched have no option but to join the informal sector thereby worsening the degree of competition.

5. Lack of government support (67%)

Not much support has been provided by government. In actual fact, government was now in a process of trying to craft legislation meant to collect taxes from this sector as it has the potential to boost government's revenue base instead of first providing business stands for the informal traders to build their premises, or empower them through training or mobilising for financial aid from banks(loans).Not much significance has been done to date by government in attempting to address the plight of the informal sector.

6. Lack of technology (65%)

Most of the informal traders still resort to use of traditional tools or skills and lack the capacity to move on to new technology. Majority still resort to intensive labour characterised mainly by use of manual labour instead of the more efficient mechanisation. Efficiency is therefore compromised including quality of products and generally costs are high which make their prices less competitive relative to large firms which have economies of scale..

7. Poor marketing skills (58%)

Not much effort is done to market products as most clients who frequent such places are already aware and they even become closely tied (personal friends). There is not much concerted effort to solicit new markets. Most of the traders produce good quality products and middlemen end up buying at low prices and resale at higher prices making large profits. There is hardly any promotion of products either by advertising, sales promotion or publicity(public relations) although personal selling appeared to be the most used strategy but due to logistical challenges, they could not reach out many potential clients particularly those outside Harare.

8. Social and personal problems

- The other major challenge was that of theft due to lack of adequate provision for storage particularly for tools, raw materials and finished products (53%).
- Inadequate transport, poor sanitation, poorly treated water, lack of protective clothing and isolated cases of occupational hazards (accidents) were also areas of concern (51%).
- Lack of decent accommodation was also a major challenge. Majority had no permanent areas of residence as most were “lodgers” and this posed a challenge as clients could lose confidence in attempting to make big business deals (46%).
- Most businesses were family or individually owned and the death of the owner (bread winner) would in most cases result in the demise of the business. This was one of the major reasons why continuity lacked in most of the Informal business set ups (42%).

1.7.1 Labour Issues Challenges in The Informal Sector

The study was also able to establish specific challenges (operational constraints) concerning Labour issues facing the informal sector in Harare, Zimbabwe. The percentage (%) of responses pertaining to each challenge is given in brackets for each challenge / factor.

1. No adherence to Labour Laws (89%)

There was almost total disregard to observing the country's Labour Laws particularly the Labour Act 28:01, the Factories and Works Act, the NSSA Act, Pensions Act etc. as a result of non compliance, Therefore workers employed in this sector;

- are exposed to health risks e.g. accidents, exposed to heat and poor ventilation, no medical aid assistance as well no compensation in the event of an accident.
- do not have freedom of association e.g. to form a workers committee or join a trade union of their own
- do not enjoy their fundamentals rights such as ,right to remuneration, fair labour standards, equal treatment (no discrimination), health and safety, right to bargain etc.

As a result of the above , most are underpaid and there are cases of abuse(sexual harassment and bullying) and even use of child labour.

2. Lack of involvement and participation (86%)

Workers employed in this sector, do not have any meaningful contribution toward their warfare. There are no clear salaries (remuneration), no proper employment contracts (for majority they are not even existing (there), no code of conduct etc. In all these, workers are not even involved and there is dominance of dictatorship. As a result the owners use their own selfish discretion and in the wake of high unemployment levels, the workers are so heavily underpaid and are not considered in most cases as critical assets.

Such lack of involvement in the day to day running (administration) of the business and poor conditions of service result in low motivation among workers who feel that they do not have a sense of ownership resulting in job dissatisfaction and disgruntlement.

VIII. Recommendations / Strategies

The study suggested the following as remedies to the plight of the Informal sector so as to move towards self-sustenance.

1. Registration of Informal Sector traders

Government in liaison with the local authority, City of Harare, should register the informal traders so that their operations can be regulated and monitored especially on compliance issues. The registration being suggested should be under the Companies Act and not the current set up of being registered by the local authority or Ministry of SMEs

2. Provision of business stands to construct better premises

The local authority should provide business stands so that better infrastructure can be provided. This will in turn improve environmental concerns notably on health and safety and that should improve the working tempo. Also there will be customer confidence since there would be a sense of permanent location/premises

3. Empowering through business training

A holistic approach is required in order to change the business culture of the informal sector. Training workshops should be facilitated by government, notably through the Ministry of Small and Medium Enterprises with the aid of the donor community, financial institutions and the local authority (City of Harare). Training could equip them with;

- Business skills (Planning, Systems, Structures, Controls etc.)
- Leadership skills
- Knowledge on compliance issues e.g. laws and statutory requirements
- Team building
- Marketing and distribution strategies
- Efficient Value chains

4. Promotion of workplace democracy

Government should put in place mechanisms or systems that should ensure that those employed by informal sector operators/businesses enjoy their fundamental labour rights in line with the provisions of the Labour Act 28: 01 or otherwise which include;

- Forming workers committee or affiliating to a relevant trade union of their choice.
- Provision to negotiate with their employers even on grievances or matters of concern.
- Provision to discuss with employers their working conditions freely (conditions of service).
- Involvement and participation on matters of concern such as health and safety.
- Right to enjoy fair labour standards e.g hours of work, time off duty, etc.

If these are adhered to, there is likely to be a strong sense of motivation as workers feel that they are recognised and empowered.

5. Mobilisation of financial resources

Government should put in place policies that should allow informal sector traders to access soft loans e.g. from government agency, SEDCO (Small Enterprises Development Company) or working on accessing harmonised financial packages from financial institutions' (banks). If stringent measures like "collateral security" are removed or harmonised, that will enhance the informal sector to recapitalise its businesses. This should culminate in business expansion and growth. Ultimately this should lead to meaningful employment creation in the formal sector by then.

Also taking into account that most of the businesses will be registered, the government revenue base would be widened because it will be easy to collect taxes. If these measures are taken on board, it would be easy to incorporate the Informal sector into the main economic blueprint, Zimbabwe Agenda for Social and Sustainable Economic Transformation (ZIMASSET, 2013-2018)

IX. Conclusion

Although another study similar to this one could be extended to other cities such as Bulawayo, Gweru, Mutare and Masvingo or neighbouring SADC cities, this study is nonetheless very important. This researcher is convinced that the findings and recommendations could be generalized since the characteristics of the informal sector seem to be the same despite the operators or players being in different geographical locations. Furthermore this was a quantitative research based on positivism paradigm. The Informal sector has potential to grow into the more sustainable Formal sector and help improve Zimbabwe's precarious unemployment levels which in turn would improve welfare of its citizens including standard of living.

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