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INFORMAL SECTOR EMPLOYMENT AS AN ALTERNATIVE  
FOR THE YOUTH IN ZAMBIA

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This work is dedicated  
to the memory of my late  
son, Chansa, who was  
born and three months  
later died from bronchial  
pneumonia while I was  
still doing research for  
this paper.



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## CHAPTER 1

### INTRODUCTION

#### 1.1. Statement of the problem

All over the world a phenomenon that has come to be known to be an integral part of a national economy, particularly in the less developed countries (LDCs), is the informal sector. There is a recognition in most LDCs that their economies do not only depend on formalised activities but that there is also a substantial section of the economy that is operating informally. Although measuring its size is rather difficult, its existence has been indicated by various surveys and studies.

What has been intriguing for most LDCs is that while most urban areas are inhabited by a lot of people not all the members of the urban labour force are employed in the formalised activities of the urban economy. A substantial number of the labour force lives in the urban areas but are not employed in the formalised entities on a tenure basis. These people survive by engaging in activities outside the formal sector. What seems to come out of many surveys and studies is that most of these people find themselves having to enter into this situation by economic circumstances and are engaged, nevertheless, in economic activities, informal as they may be.

In the case of Zambia, it has been observed generally that the population has been increasing at a higher rate than the average economic growth rate since the mid 1970s. Consequently, as Zambia has a wide bottomed population pyramid, the labour force therefore, also exhibited higher growth rates than the economic growth rate. At the same time, employment in the formal sector has stagnated around 14 per cent of the total labour force. In such a situation it is inconceivable that most entrants to the labour force would have secured themselves

employment in the formal sector. Taking the population pyramid as a reference point, it is obvious that most entrants into the labour force are youths. It is therefore, apparent that there is an unemployment problem for the youth. However, if we take into consideration that what is known as the formal sector in most LDCs was transposed from the colonial metropolises then we see that there is that part of the economies that is following an evolutionary path outside the formal sector and it is employing some of the youth. This is the alternative sector that is also referred to as the informal sector. In the eyes of many people this sector perverts almost everything that the formal sector stands for. As such the sector is sometimes seen as not being able to provide acceptable employment. Nevertheless, many studies have shown that it is the informal sector that has provided sustenance to many youths in the urban areas who would have otherwise been unemployed. The challenge for this study, therefore, is to investigate the form of employment that the informal sector offers to the youth as an employer.

## 1.2. Objectives of the paper

The main objective of the paper is to ascertain whether the quality and nature of employment in the informal sector is able to mitigate the problems of youth unemployment in Zambia. From this standpoint the paper will investigate:

1. The sort of government policies that have a bearing on the quality of employment for the youth in the informal sector.
2. The contribution of education to youth getting employment in the informal sector.
3. The influence of labour segmentation on the employment of youth in the informal sector.
4. The extent to which policy is amenable to government intervention.

### 1.3. Methodology and limitation

The study only covers the urban employment situation. Thus its focus is on informal sector in the urban areas. The data used is from secondary sources. In this regard the main source of data was from the library at the Institute of Social Studies (ISS) and other relevant libraries in The Netherlands, such as the one at the African Study Centre in Leiden, Centre for the Study of Education in Developing Countries (CESO) in The Hague, etc. The other source of data was from the various survey reports of field work conducted by various individuals and agencies in Zambia. As much as possible data used has been of the recent past. However, Zambia is not a frequently researched country and therefore, where the situation permits comparative data from another country in the region is used.

### 1.4. Structure of the paper

The paper is divided into seven chapters. Chapter 1 is the introduction. This chapter presents the nature of the problem under study. It also gives the objectives of the research paper. It goes on to give the methodology and limitation of the study. Some salient concepts are also defined in this chapter. For a clearer understanding of the problem under study the chapter also gives an overview of the Zambian economy. The next chapter deals with the theoretical framework. Here the problem under study is put in its theoretical context. Chapter 3 explores the nature and quality of employment in the informal sector in Zambia. Here what is looked at is the scope of employment available and the sustenance in informal sector employment. In chapter 4 government policies and their effects on employment in the informal sector are analyzed. Aspects of interest are the macro - economic policies and the labour policies. The next chapter, chapter 5, looks at the contribution of education to employment of youth in the informal sector. This chapter explores education as a provider of skills and education as a means of progression

(career). The influence of labour segmentation on employment in the informal sector is dealt with in chapter 6. The analysis here focuses on the distribution of the labour force by age, the skills profile, and the role of gender in employment distribution in the sector. The last chapter, chapter 7, gives some policy options and ends with some conclusions.

#### 1.5. Definition of concepts

##### (i). Labour force

The labour force is taken to be that part of the population aged fifteen and above which is economically active and either employed or unemployed. The unemployed labour force includes only those who are available for work. Although the Zambian Government lowers the cut-off point to the age twelve as being eligible to be part of the labour force (Zambia, FNDP 1989, p. 60) this paper will in general restrict itself to the age fifteen and above. This is because in some official documents the lower age of fifteen is used as the cut-off point, being in conformity with the ILO convention. Nevertheless, whenever statistically necessary the twelve years age cut-off will be used.

##### (ii). Employment/Unemployment

Employment is understood to consist of all those members of the labour force in paid employment in the formal as well as in the informal sector, the self employed, unpaid family workers and apprentices receiving payment in cash or kind. In the Zambian 1986 Labour Force Survey, the employed also included persons in the subsistence sector. As for unemployment, this covers those persons not working but actively seeking work.

##### (iii) Formal/Informal sector

Demarcating the labour market into formal and informal sector can be a very contentious exercise. However, for the purposes of this study it is necessary that a distinction is made. Thus, we can use the distinctions used by the ILO (1972)

in their Kenya Mission of the World Employment Programme as the formal sector having such features as:

1. Difficult entry
2. Frequent reliance on overseas resources
3. Corporate ownership
4. Large scale of operation
5. Capital-intensive and often imported technology
6. Formally-acquired skills; and
7. Protected markets (through tariffs, quotas and trade licences).

and the informal sector as characterised by:

1. Ease of entry
2. Reliance on indigenous resources
3. Family ownership of enterprises
4. Small scale of operation
5. Labour-intensive and adapted technology
6. Skills acquired outside the formal school system;  
and
7. Unregulated and competitive markets.

The informal sector is also understood as it is defined in the Zambian official statistics as broadly consisting of all subsistence farmers, all own account workers, and all employers in the unlicensed and unregistered businesses (Zambia, FNDP 1989,p. 67).

(iv). Small Scale Enterprise

Defining a small scale enterprise (SSE) can be elusive. This is because an understanding of SSE tend to incorporate aspects of the size of employment, business turnover, levels of technology use, and entrepreneurial development. Although some authors make a distinction between small and micro enterprises, with the term micro being designated for enterprises in the informal sector, there is a recognition that most of the characteristics of both types of enterprises are similar. Hence, for the purposes of this paper they are both treated as SSEs. This position is adopted because as can be seen from the characteristics of both ,as given by

Teszler (1989, pp. 17-18) these enterprises:

- Produce simple implements and consumer goods (such as processed foods, clothing, footwear, household utensils, wooden furniture and farm implements). Usually the quality of these products cannot measure up to the branded output of large enterprises; however, the relatively low price they command brings them within the reach of large segments of the population.
- Are less dependent (than large enterprises) on specialised services such as computer software [and hardware], insurance, chartered accountants and maintenance services.....
- Make use of existing artisan traditions and knowledge. Most entrepreneurs in SME [small manufacturing enterprises] would appear to have little time for external advice and assistance because they associate this all too easily with meddlesome civil servants looking for untapped sources of taxation. However, if the entrepreneur has any particular problem and outside advice seems to offer the solution, it is more often than not, speedily adopted and copied by others.
- Tend to make use only of locally available materials. This makes them less import-dependent.

In Zambia the most widely known definition of SSE is that given in the Small Industry Development Organisation Act of 1981 which states in part that, "a small scale industry [is] that enterprise having capital assets not exceeding two hundred and fifty thousand Kwacha (K250,000) or such higher amount as may be prescribed from time to time" (Zambia, SIDO Act 1981).<sup>1</sup>

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<sup>1</sup>The value of assets under this Act has been continually adjusted upwards because of the spiralling inflation and other criteria.

### 1.6. Overview of the Zambian economy

Zambia is a landlocked country situated in the southern part of Africa. It covers an area of 750,000 square Kilometres. Placed centrally in the hinterland of the continent it shares its borders with eight other countries.

An understanding of the Zambian economy is incomplete without a brief look into its colonial past. British colonialism got to the country in the 1920s. It facilitated the commencement of mining on a large scale through the British South Africa Company. Copper mining in Zambia was started for the purposes of exporting it to the user industries in Europe. With no other economic activity encouraged on a large scale, copper mining became the dominant activity of the economy. Thus the colony started to develop with an economy without much intersectoral linkages. All other involvements in the money economy had connections with the mining activities. For example the commercial agricultural settlements that were encouraged for settlers from Europe provided food and other raw materials to the mining areas, and natives were routed out of their villages through such measures as the hut tax so that they could go and work in the mines and on settler farms. At the attainment of independence in 1964, therefore, the country inherited an economy that was heavily dependent on one economic activity i.e. copper mining. This prompted the post independence government to devise policies of diversifying the economy away from the dependence on copper. Economic diversification has been the underlying economic policy ever since the attainment of independence. The performance of the economy since independence is reflected in the key sectors namely mining, manufacturing and agriculture, and any other related aspects such as the balance of payments, income distribution, and the employment situation.

#### 1.6.1. Mining.

Since the colonial period in Zambia, mining has been the major source of economic growth. At the time of independence in 1964 the mining industry provided 92% of the foreign exchange

earnings, 53% of government revenue and 48% of Gross Domestic Product (GDP). More than 90% of exports have continued to originate from the mining industry but, its share of GDP continued declining after the 1970s due to falling prices on the world market. By 1980 its share of GDP had declined by 26.5%. By 1990 it had further dropped to 8 percent. This is against a continuing drop in the production index from 81.8 in 1980 to 59.1 in 1988. Although the overall growth was expected to increase by 2.9 percent over 1989, copper production was nevertheless, expected to decline by approximately 2 percent from 450,707 tonnes in 1989 to 441,174 tonnes in 1990. Even cobalt and zinc were expected to decrease by 6 percent and 11 percent, respectively. The mineral which was to compensate for the declines just mentioned was lead, which was estimated to increase production by 16 percent from 3,950 tonnes in 1989 to 4,584 tonnes in 1990.

Apart from the falling prices on the international market there were other attributes to the poor performance of the sector. The sector also suffered from foreign exchange shortages, exacerbating problems of ageing capital stock, lack of maintenance and shortages of skilled labour. As a result of these difficulties, Zambia's share of world output fell to just under 6 percent in 1983, and has further fallen (Colclough 1990,p. 1104). The shortages in skilled labour have had a bearing on the productivity in the sector in that, for example in 1986 there was a shortfall of 1039 employees in the artisan and mechanics grades, while at the operations centre the shortfall was 41 percent of the total required (Banda 1990,p. 11). Skilled labour shortages have been a critical problem in the short-term but, this is also likely to be solved through the envisaged sharp reductions in employment in the mines during the 1990s, primarily as a result of declining ore grades. The sector is also faced with a real prospect of mineral exhaustion of which reserves are estimated to last less than 20 years at current production rates (Colclough 1990,p. 1104). This situation makes the diversification of the economy even more



imperative than ever.

#### 1.6.2. Manufacturing.

Independent Zambia started off with almost a non-existent manufacturing sector. As such the sector contribution to GDP was a mere 6% in 1964 which grew to 20% in the early 1980s. Despite the diversification policy that had been adopted the manufacturing sector continued to be import-oriented for its raw materials and machinery. Consequently the sector suffered most when the balance of payments became negative since the mid 1970s. The situation in the sector had become so desperate to the extent that some key enterprises had their capacity utilisation drop to as low as 12% in 1988 (Zambia, FNDP 1989).

Up until 1987 production in manufacturing had shown signs of recovery but, thereafter it started to decline. However, although its contribution to GDP had declined from K462.9 million in 1987 to K524.9 million in 1990, its share as a component of GDP had increased from 21.9 percent in 1987 to 24.0 percent in 1990. This shows that even though GDP had been declining generally since 1988, from a growth rate of 6.3 percent to that of -1.7 percent in 1990, manufacturing has been gaining ground as a major contributor to the overall composition of GDP. Among the average rates of growth for the various components of GDP for the period 1987-1989, manufacturing had the highest growth rate of 9.4 percent, and the least growth rate of -10.9 percent going to the component electricity, gas and water. The decline in production in the sector is a reflection of the slack demand and input constraints which are result of Zambia's economic difficulties. The dominant problem in the sector has been the shortage of foreign exchange to purchase inputs. The sector has also been facing management problems largely due to managements being appointed on the basis of their loyalty to the political leadership rather than their managerial capabilities (Banda 1990, p. 13). The Government has been able to make such appointments because it controls as much as 75 percent of Zambia's manufacturing activity through

parastatals (Colclough 1990,p. 1106). However, the increasing share of manufacturing to total GDP can be attributed to such policies as the decontrol of prices; the reduction of import duties through import tariff reforms; the market determined allocation of foreign exchange; and the promotion of exports through the incentive to exporters of 50 percent retention scheme of foreign exchange earned. Thus exporters are able to maintain or increase production.

#### 1.6.3. Agriculture.

Agricultural activity is the domain of the large majority of the population. About 60% of the country's population reside in the rural areas. However, half the agricultural production is by a small segment of commercial farmers (Zambia, FNDP 1989). Despite the much talked about diversification of the economy the sector has not received much attention. This is evident from the small proportion of investment allocated to the sector, i.e 7.3% of total investment budget between 1980 and 1987 (Lubinga 1989,p. 7). In the first two decades after independence there had been efforts by the Government at increasing agricultural production through peasant farmer improvement schemes such as co-operatives, intensive development zones, tenant farming schemes and provision of credit through the defunct Credit Organisation of Zambia but, all these schemes failed on account of poor planning and implementation (Banda 1990,p. 12). Nevertheless, with reliance on commercial farmers production in the sector was able to increase by 34 percent from 1967 to 1978 before it started fluctuating, reaching sharp declines in growth rates in the late 1980s. The growth rate declined from a 1988 level of 19.3 percent to a 1990 level of -7.3 percent. These declines in production were mainly due to drought conditions and the poor supply of inputs (Zambia - Economic Report 1990,p. 67). Apart from such problems as the inadequacy of credit and inefficient market services, the sector is also affected by the lack of foreign exchange for its inputs such as fertilizers and transport equipment.

#### 1.6.4. Balance of payments.

Zambia started experiencing a serious balance of payments (BOP) problems in 1975 when it incurred a deficit of \$721 million. In the years prior to this crisis, surpluses allowed Zambia to accumulate large foreign reserves such that at some points they exceeded one year's imports (Colclough 1990,p. 1102). The BOP difficulties which had started in 1975 were largely as a result of the sharp increases in petroleum prices on the international market. This was compounded by falling copper values and high domestic expenditures. Thus we see the current account balance moving from \$108 million in 1970 to \$ - 302 million in 1986. In the same period, foreign reserves declined from \$515 million in 1970 to \$71million in 1986. The severity of BOP difficulties in 1975 made Zambia turn to the International Monetary Fund (IMF) for credits.

In 1979 export receipts were sharply increased by higher copper and cobalt prices but, these fell short of reversing the deficit though it reduced it to K9 million. But as the terms of trade worsened, so did the balance of payments. From a peak of 252.8 percent increment in 1969, the terms of trade had fallen to -20.7 percent in 1987. With this kind of BOP difficulties it was recognised that the structural problems of the economy needed to be addressed. Hence, in May 1981 a new IMF agreement was negotiated, this time with an Extended Fund Facility, totalling K820 million which gave more emphasis to structural adjustment and provided more time for the adjustment process to take place (ibid,p. 1102). But in the course of time there arose disagreements between the Government and the IMF on how to implement not only this programme but subsequent ones as well. By the time both the Government and the IMF had devised a joint programme in 1989, for the recovery of the economy (Zambia - Economic and Financial Policy Framework 1989), the BOP was still problematic as it was a deficit of \$189.2 million, while the external debt had accumulated to \$7 billion and debt service was at 59.9 percent of current account receipts. The programme

envisages to solve the BOP problems in the short-term by reducing imports in the non-metal sector and, in the long-term through increased non-copper exports.

#### 1.6.5. Income distribution.

For over a decade after independence, Zambia was known to be a high-wage economy in comparison to its neighbours (ILO 1981, p. 7). On the average there was a 9 percent increase in real wages in the formal sector up to a peak in 1973. Thereafter, they fell by nearly 20 percent but, remained at about 40 percent above the 1965 level. Real earnings per employee had been increasing steadily until they reached a peak of 32.5 percent in 1975. Ever since, they have been declining, reaching -5.2 percent in 1985. In the whole formal sector by 1988, real average annual cash earnings stood at fifteen percent of their 1980 level. The downward trend in incomes has been accompanied by a fall in productivity (Zambia - Economic Report 1990, p. 29). As part of the strategy to reverse this situation, policies have been devised to encourage the use of labour-intensive means of production.

#### 1.6.6. Employment situation.

Zambia experienced the highest employment growth rate in the formal sector between 1964 and 1965. During this period the growth rate was 10 percent. The average employment rate over the first four years (1964-68) was also high, 6.7 percent. Employment in the formal sector rose from 269,000 in 1964 to 349,000 in 1968. The growth in the subsequent years was not as dramatic as it had been in the few years after independence. Although employment continued increasing in the formal sector it reached its peak in 1975 with 393,360 persons. Employment in the sector had been able to increase dramatically because of a boom situation from earnings generated by copper exports. Thus the country was able to embark on massive investments in public projects which attracted a lot of employment (ILO 1981). With the beginning of BOP difficulties employment in the formal sector also started to decline. By 1980 employment in the sector

had reached 381,490 and it fell further to 365,190 by 1984 which accounted for a fall of 4.2 percent. This meant that the Government plans in employment generation in the formal sector were not being realised. For this period it had been planned that employment would increase by 20,000 persons annually. Since the labour force growth rate (3.8 percent) was higher than the economic growth rate (0.2 percent), it was not possible that the formal sector could have been able to absorb 200,000 new entrants into the labour force during that period.

For the second half of the 1980s and the beginning of the 1990s employment in the formal sector continued to stagnate around 360,000 persons as the economy also continued to stagnate. However, the employment scenario was not complete without the informal sector. And so, a comprehensive labour force survey was conducted in 1986 by the Central Statistical Office (CSO) so as to capture the informal sector as well. It revealed that the combined employment of the formal and informal sectors was 2.4 million persons out of a total labour force of 2.7 million with the informal sector accounting for 66.7 percent. Among those employed in the informal sector 16.7 percent were in the urban areas and out of that group 31.3 percent were youths aged between 15 and 24 years. For a share of almost a third of urban informal sector employment is a significant figure to consider the informal sector as a substantial employer of the youth.



## CHAPTER 2

### THEORETICAL FRAMEWORK

The debate about the existence of an informal sector in an economy of an LDC has become well established. The concept of the informal sector has come to be widely used in literature analyzing the dynamics of LDC economies. The roots of the use of the term informal sector are mostly traced to the study of the employment situation in Kenya by the ILO and that by Hart (1973) of urban Ghana in which he used the dichotomy formal-informal. The ILO (1972) comprehensively used the term in their Kenya report in order to devise an employment strategy for that country. In that report they gave an insight of what constituted an informal sector. To this effect the report read in part that:

"The popular view of informal-sector activities is that they are primarily those of petty traders, street hawkers, shoe-shine boys and other groups 'underemployed' on the streets of big towns.....the bulk of employment in the informal sector, far from being only marginally productive, is economically efficient and profit-making, though small in scale and limited by simple technologies, little capital and lack of links with other [formal] sector....[is] a source of Kenya's future wealth (ibid, p.5).

The formal-informal sector dichotomy has also come to be regarded as a useful tool of analysis as Papola (1981,p. 8) has noticed that some research workers and policy makers allude to it out of the concern "for the small and unprotected producers in the urban economies, who on account of their disadvantaged position are unable to derive the benefits of development to the full extent of their potential."

Up-to-date a lot of work around the world has been written about the informal sector. These studies are not unanimous in their perception of the informal sector. Various theoretical

approaches are applied to the understanding of the informal sector and its inherent labour relations. Some of these approaches are delved into below.

### 2.1. Neo-classical approach

Within the neoclassical framework of analysis much focus is on the study of the demand and supply sides of the labour markets. The demand side of labour market analysis embraces the concept of the marginal product of labour which reflects the profit-maximizing postulate for entrepreneurs within highly competitive market structures. The supply side analysis is characterised by observations of individual preferences between work and leisure and between work and investing in education (investment in human capital) (Peterson 1988, Corina 1972). Hence the characteristics ascribed to the informal sector by the ILO bear a marked similarity to the assumptions necessary for equilibrium under the neoclassical economic model of resource allocation.

In the framework of the neoclassical analysis the informal sector enterprise exhibits the characteristics of the perfectly competitive firm. As such this analytical framework yields seemingly precise outcomes for wage structures and employment levels (Thomas 1990). Thus it is observed that the wage differences reflect true variations in productivity and overcomes the disutility of work as a compensation. Under the concept of human capital these differences in earnings are the benefits to investments in education that had been made (Cain 1976, Herrick and Kindleberger 1983). And therefore competitive market forces have an influence on the outcome of employment levels and conditions of labour in the informal sector. In this way the youths employed in the informal sector find themselves under very competitive conditions. The market forces influence the conditions under which the youth are in employment. The youth are thus there to be tapped as a resource if they exhibit characteristics to be combined with other resources such as capital and land for efficiency in production.



In the neoclassical analysis both the demand and supply of labour are a function of the real wage ( $w/p$ ). By interaction with output through the production function which is determined by the employment level it leads to the determination of employment. This is seen in the equation form as given by Peterson (1988,p. 107) as:

$$N_d = f(w/p) \quad \text{The demand for labour}$$

$$N_s = g(w/p) \quad \text{The supply of labour}$$

$$N_d = N_s \quad \text{Equilibrium in the labour market}$$

$$Y = f(N, K', R', T) \quad \text{The production function}$$

In the above equations,  $w$  is the money wage,  $p$  is the price level,  $N$  is the level of employment,  $K'$  is the stock of capital,  $R'$  represents natural resources, and  $T$  is technology. Therefore, according to this approach when the formal sector is not large it is unable to employ a lot of the members of the labour force due basically to factor price distortions. However, a large number of the urban labour force in the LDCs is able to find employment in the informal sector because of the low price of labour determined by the highly competitive free market forces exhibited in the sector. The price of labour in the informal sector is lower than that found in the formal sector because the one in the formal sector is kept higher by trade union pressures, politically inspired minimum wage policies, and wage policies of multi-national corporations. In the times when the formal sector is not expanding the wage structure in the formal sector forms a shield against those who would like to enter the sector with least or no skills. The majority of prospective entrants to the formal sector are youth of whom are mostly new entrants in the labour force and hardly possess any skills. For the youth at the realisation that the formal sector is too protective for their entry they find that they face only two options - either to remain unemployed or seek employment in the informal sector. Hence, though wages are low in the informal sector it is able to attract youth for employment.

There are limitations in using the neoclassical approach

to analyze employment in the informal sector. One has to be cautious of its treatment of labour as a homogenous factor of production just like any other factor of production. This way it does not give an in-depth analysis of the varying work situations. The neoclassical approach also advocates a noninterference policy by government to intervene in the operation of the economy. This policy though useful to the promotion of free enterprise also falls short of recognising the need to nurture enterprises in the informal sector to growth. Without an enabling environment for the productive informal sector enterprise to increase output prospects for youth employed in the sector would lead to retrogressive conditions of employment.

## 2.2. The Marxist approach

The Marxist theory regards the informal sector as petty commodity producers who are dominated and exploited by the formal sector. This approach subordinates petty commodity production to the capitalist mode of production. Petty commodity production has been considered to be remnant of the precapitalist economic formation (Bradly 1975). Nevertheless, it has been conceded that petty commodity production is an integral part of contemporary urban economies. Hence Moser (1978) considers petty commodity production as being part of the capitalist mode of production with its development controlled by, and linked to the capitalist mode. This is why it is thought that capital accumulation is unlikely to take place in the informal sector since various institutional mechanisms ensure the transfer of value to other classes out of the sector. In the same view Leys (1975) argues that the informal sector itself, far from being an idyllic mass of small-scale, competitive, household production units, is actually a system of very intense exploitation. The views of exploitation on a societal level are rooted in the core dogmas of Marxist analysis i.e. concentration of market power, falling rate of profit, existence of a reserve army of workers and a tendency of earnings to converge to subsistence levels (Thomas 1990, p. 4). It is therefore, seen as

futile to attempt to stimulate informal sector growth so as to redistribute income over a wider spectrum of society as this would merely maintain a larger number of the urban working poor at the margins of subsistence. Hosier (1987, p. 387) even points out that any promotion of the informal sector will lead to accentuated inequality, the creation of a new petty bourgeoisie, and further exploitation of the informal sector workers by the forces of local and international capital. By and large, the informal sector is perceived as a pool for the capitalist to source labour from. There are suggestions that petty commodity production is a means of continuity of the reserve army of workers. This view is evident in Bernstein's (1979) observation that while some establishments demonstrate capitalist relations of production, others reflect petty commodity relations of production, wherein the objective is not profits but the reproduction of labour. It therefore seems that according to the Marxist approach employment of youth in the informal sector is merely a way for capitalism not to keep fresh additions to the reserve labour idle while it waits its opportunity to be tapped into the formal sector.

The Marxist theory also asserts that informal sector enterprises cannot expand because the constraints to growth and formalisation are overwhelming for them. As a result of these constraints, informal petty commodity producers tend to grow through a proliferation of numbers (i.e. horizontal expansion) as opposed to individual firms increasing in size (i.e. vertical, or hierarchical expansion) as is typical of capitalist firms (Mkandawire 1985). It is contended therefore, that petty commodity producers cannot experience the kind of growth envisaged by the neoclassical perspective. From this point of view employment of youths in the informal sector is envisioned as being lateral rather than as a result of progression in the enterprises.

The stand by the Marxist theory not to acknowledge dynamism in the informal sector poses as its analytical limitation by reflecting the informal sector in the class concept rather than

in a differentiated perspective. This suggests that youth employed in the informal sector will perpetually be subjected to exploitation.

### 2.3. The labour market segmentation approach

The labour market segmentation approach recognises the heterogeneity of labour as opposed to the neoclassical approach that views labour as being homogenous. The neoclassical approach assumes that each worker's contribution to output is equal to every other worker's. In contrast to this view Loveridge (1979) defined labour market segmentation as a historical process whereby political-economic forces encourage the division of the labour market into separate sub-markets or segments, distinguished by different behavioural rules. After 1945 various authors (Dunlop 1958, Kerr 1950, 1954, Cain 1976) came to recognise the heterogeneity of labour in the form of balkanization of labour markets. These authors rejected the lack of competition among categories of labour as being linked primarily to social factors that amount to pre-market influences. What it implies is that firms themselves play an important role in dividing otherwise homogenous categories of labour into non-competing segments (Thomas 1990, p. 7). In this case while it is highly competitive for youths to get employment in the informal sector it is also the case that youths find themselves in non-competing labour market segments while in employment in the sector. It is a necessary ploy by the enterprises in the informal sector to have non-competing categories of employees so as to maintain stability of the businesses.

The heterogeneity of the labour force stems partly from the differences in the distribution of human capital among workers. The distribution of human capital among workers therefore, forms part of a process of the compartmentalisation and isolation of different groups of participants in the labour market. Wilkinson (1981) distinguishes between pre-market segmentation (differentiation of opportunities to enhance one's productive

potential through school/formal training before commencing employment) and in market segmentation (further differentiation of opportunities within the market). Of importance in this trend of thought is the human capital concept which focuses on the relationship between earnings and education (the earnings function is estimated for numerous categories of labour in different industries, regions and countries) and implies that segmentation would primarily follow different levels of schooling. Thus skills gained by the youth before or while in employment in the informal sector have a bearing on the quality of their employment through the mechanism of segmentation.

The significance of the labour market segmentation approach to the study of the quality and nature of employment in the informal sector is that it opens up analysis on employment, working conditions, earnings and aspects of power and organisations which other approaches do not consider (Wilkinson 1981). This way it is possible to get some understanding of the extent of sustainability in employment of youth in the informal sector.



CHAPTER 3  
THE NATURE AND QUALITY OF EMPLOYMENT  
IN THE INFORMAL SECTOR

3.1. Scope of employment available

The informal sector not being very well developed in Zambia offers not much of a complex of jobs. Compared to some other African countries, the informal sector in Zambia seems to be much more rudimentary. Haan (1982,p. 1) gives an example of the most prevalent economic informal activities in Zambia as being fruit and vegetable selling, beer brewing, tailoring, carpentry, tinsmithing, basket making, pottery, wood carving, radio repair, watch repair, bicycle repair, motor car repair, hair-dressing, etc. These activities are generally conducted on a small scale level. These activities are usually carried out by individuals. Very few informal sector participants employ other participants to assist in their activities. This can be seen from the fact that only 1.2 percent of the total urban informal sector employment of 267,400 are employers (Zambia-CSO 1989,p. 104). The rest of the people who make up the informal sector are either own account workers (48.7 percent), subsistence farmers (28.5 percent), paid employees (11.7 percent), unpaid family workers (9.7 percent), or members of a co-operative (0.2 percent)(ibid). Though there are few employers in the informal sector, the Labour Force Survey 1986 report indicates that employment in the informal sector was substantial as it accounted for 43.3 percent of the total 617,000 estimated urban employment.

The high level of informal sector employment in the urban areas partly includes that of youths. In 1986 the youth aged from 12 to 24 years of age constituted 36 percent of the total urban informal sector (ibid,p. 100). This suggests that since most informal sector participants were own account workers (48.7 percent) it is more likely that the youth are mostly the ones who are employees (paid or unpaid) in the sector. this situation arises because youths have been the most disadvantaged in the

restructuring process of the economy and therefore, have found it difficult to raise the necessary capital through savings and acquire skills that can enable them become own account workers. In the 1970s when the economy was more buoyant youths were able to engage in wage-employment for several years prior to their entry into self-employment (Hoppers 1981, p. 58). Long sojourns in wage-employment (in the formal sector) was a way of accumulating capital through savings and acquiring skills on the job that could be used later as one became self-employed. Under the changing circumstances of structural adjustment of the national economy during the 1980s there has been less employment creation in the formal sector, hence the youth in the urban areas have had to resort to the informal sector for jobs. The structural adjustment has also had an influence on the jobs that have been available to the youths. Looking at the statistics of The Labour Force Survey 1986 again we find that generally most informal sector participants (44.7 percent) had the occupation Sales Workers and then turning to the industry category statistics we find that most informal participants (49.5 percent) are found in the Wholesale and Retail Trade, Restaurants and Hotels industry. It is therefore, conceivable as other authors have indicated (Hoppers 1981, Banda 1990, and Bardouille 1990) that the preponderance of informal sector participants in the trading sector does include youths who have found this sector easier to enter as own account workers because it does not require a lot of capital and skills to engage in trading of small quantities of consumer goods. It has also been observed that youths have taken up trading in the informal sector on an increasing proportion compared to other activities due to the reduced opportunities in the other sectors as the economy has declined over the years.

The distribution of urban informal sector participants in other industries has been such that subsistence farming has accounted for 28.5 percent, community, social and personal services - 10 percent, manufacturing - 6.7 percent, transport, storage and communication - 1.5 percent, construction - 1.5



percent, agriculture, forestry and fishing - 1.3 percent, business services - 0.3 percent, electricity and water - 0.2 percent, and mining and quarrying - 0.1 percent of the total (Zambia - CSO 1989, p. 103). Due to lack of data we cannot tell how many youths account for the above distribution in the various industries. However, if subsistence farming is removed as not being typically an urban area activity then what we see is that the size of the labour force in manufacturing falls far short of what could be expected of it as a catalyst of economic growth and subsequently of employment creation in the country. The youth could benefit through increased activity of the informal sector in manufacturing. It has been argued that in recessive periods the informal sector tends to grow rapidly and hence, it is able to absorb labour that would have otherwise been employed by the formal sector (Uribe-Echevarria 1989, p. 33). By this token, a substantial number of youths get engaged in the informal trading activities and in this way some would be able to raise sufficient capital to at least enter commodity production on a small scale. This would also depend on how attractive the earnings in the informal manufacturing sector are to the new entrants.

### 3.2. Sustenance in informal sector employment

As seen from the above analysis a substantial number of youths have to find employment in the informal sector. Many authors have attributed this occurrence to the characteristic ease of entry into the informal sector. Despite this characteristic being a contributory factor the youths in the urban areas of Zambia do not make up the majority of the participants in the informal sector even though the formal sector is not offering them employment. Hence we see in Table 3.2.1 that there are very high unemployment rates for urban youths. Obviously the very high unemployment rate for youths in the age group 15 to 19 is largely due to the high attrition of youths from the school system and their subsequently entering the labour force. Clearly there is a big unemployment problem of youths in the urban areas and as already observed this labour

cannot hope to be absorbed by the formal sector. As such it remains with only two options in which to seek employment - either it migrates to the rural areas and seek employment in the agricultural sector or remains in the urban areas and seeks employment in the informal sector. There are no indications that this category of the labour force would massively move to the rural areas in the short-term. This being the case the only remaining option is therefore, to seek employment in informal sector. In his study of the informal sector in Eastern Africa, which included Zambia, Vitta (1985,p. 67) found that school leavers have their own perception of the best opportunities available to them in the job market and these are the ones that influence their job aspirations. He points out that there is a tendency to aspire for relatively higher earning jobs (ibid). Since most youths in Zambia can survive unemployment by being depended on their relatives, they are therefore, not deterred from staying in the urban areas because earnings in the urban areas are generally higher than those in the rural areas (Zambia-CSO 1989,p. 73).

Table 3.2.1: Youth Unemployment Rates In 1986 (%)

<u>Age Group</u>	<u>Country Total</u>	<u>Rural</u>	<u>Urban</u>
12-14	16.1	12.2	44.6
15-19	20.4	13.5	46.9
20-24	18.1	11.3	33.1

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Source: Labour Force Survey 1986 (Zambia-CSO 1989,p. 84)

A survey of the informal sector employment and incomes conducted by the Prices and Incomes Commission (1989) contends that compared to the low-income formal sector households that were captured in the survey it is evident that on the average the income level of informal sector households is higher than that of the formal sector households in the same low cost residential areas. On account of earnings it seems the informal sector is an attractive employer. This situation also gives part of the reason why there are so many youths in the urban areas

unemployed and yet they could seek employment in the informal sector where apparently entry is easier. It is thus evident that high incomes in the informal sector are also a source of capability to maintain unemployed relatives, who are mostly youths. As for the 36 percent youths employed in the informal sector, alluded to above, earnings are mostly not as rosy individually as they look for the whole informal sector. Above we have already established that it is the youths in the informal sector who are generally wage employees, consequently they are the ones who get the low wages which averages less than one half that of the formal sector (ibid,p. 11). Hoppers (1981,p. 17) found that most youths employed in the informal sector were employed as assistants and often even after they had acquired experience they were regarded as trainees. In this way the attitudes of most informal sector employers towards employees is such that they consider themselves as offering employment to the youths on compassionate grounds. Indeed employment offered to the youths in the informal sector goes a long way towards employment creation. However, it can hardly be said that the motive of the employers is employment generation, it is rather an implicit motive by the employers to employ youths so as to expand their own businesses which at the same time results in employment generation. Some studies (Hoppers 1981, ILO 1982, Vitta 1985) further suggest that youths are employed in the informal sector because they are easier to handle and they do not interfere in running the business. This sort of attitude has a tendency to lead employers into paying youths wages that are a disadvantage to their welfare. This also explains why in most cases youths are paid wages without regard to their educational background and in the case of relatives of the employer they may not even receive a wage. Nevertheless, the wage received in the informal sector by a youth who would have otherwise been unemployed is a means of subsistence.

A major constraint for the youth employed in the informal sector to do something about improving his/her condition of employment is that they are not organised. They have no

organisation that would look into their grievances about the nature and quality of their work. In this regard putting the youth employed in the informal sector in the context of Harrod's (1987,p. 135) enterprise labour market theory we find that the youth is vulnerable because s/he is at the mercy of the employer who has the ability at no cost or inconvenience to replace him/her with another one more desperate for employment. Hence, the youth is incapacitated to bargain for wage increments lest his/her demands be taken for troublemaking which could lead to dismissal.

Zambia's informal sector being not so well developed has a limited market for the youths and so those youths employed in it are able to stay in it by complying fully with the employers' set conditions of work. As for the youths who are in the sector as own account workers their earnings and conditions of work are determined by market forces. On the whole , when the economy starts to exhibit growth the expectation is that most of the relatively skilled workers in the informal sector would move to the formal sector subsequently causing the shrinkage of the informal sector. As a result of this process some informal sector participants would graduate to better conditions of employment, but while the economy is in stagnation the youth in the informal sector have to endure less favourable conditions of work in order to survive.

## CHAPTER 4

### GOVERNMENT POLICIES AND THEIR EFFECTS ON EMPLOYMENT IN THE INFORMAL SECTOR

#### 4.1. Macro-economic policies

An important aspect to bear in mind as we analyze the macro-economic policies and their effects on employment in the informal sector is that the country's financial instruments, markets and the intermediaries for channelling savings and lending have been too rigid to accommodate indigenous entrepreneurs. Macro-economic policies in Zambia have been to a large extent a process by which the Government has been pre-occupied with wresting economic power in enterprises from foreign control. This process was drastically introduced in April 1968 at the conference of the ruling party (Chileshe 1986, p. 100). The watershed speech presented at that conference by the country's President sought to remove foreign domination from the Zambian economy and economic life. Independent Zambia's prime concerns were not therefore, the rectifying of a distorted economic system that it had inherited. The economic system the country had inherited was designed to provide infrastructure, leaving the productive sectors, particularly manufacturing, to take care of themselves. Zambia's economy was a dualistic economy which urgently required well intentioned efforts to develop other sectors of the economy apart from the copper mining industry.

Through a system of foreign owned enterprises which largely catered for the equally foreign owned mines and the communities in the mining areas, Zambia imported most of the raw material and machinery requirements for these enterprises. These enterprises had been spontaneously been established in an environment where there were no other enterprises that could provide them with raw materials and machinery. Hence they had to import their needs. Importation of raw materials and machinery continued unabated under the colonial government as hardly

anything was done to create intermediately industries. In fact, very few goods were manufactured locally since the small export enclave of the copperbelt imported all the manufactured goods consumed (Seidman 1979,p. 100). In a bid to curb imports the new government of independent Zambia adopted a policy of expanding social and economic infrastructure, and encouraging the establishment of import substitution industries. The policy of import-substitution was explicit in both the first and the second national development plans. As a result of this policy the immediate steps that were taken were to localise the ownership of enterprises and in most cases it took the form of nationalisation. However, import-substitution through local ownership of enterprises did not address adequately the question of restructuring the economy to diversify. The policy basically perpetuated the production of consumer goods for the urban population who have been a minority of the total population. Under the peculiarities of the policy, as seen from experience in Latin America, consumer imports continued to increase as the composition of these goods was shaped by the demands for luxury items of the 10 percent of the population which accumulates over half, and perhaps as much as three-fourths, of Zambia's national income in the form of higher salaries, profits, interest, and rent (Seidman 1979,p. 103). It is estimated that most of these imports roughly doubled between 1965 and 1970 from K<sup>2</sup>156 million to K340 million (ibid,p. 101). The economy could afford such high expenditures on imports since it had a high income from the export of copper. Zambia's attainment of independence coincided with a rising trend in copper prices which between 1963 and 1966 increased by almost 125 percent in real terms and remained relatively high until 1974 (Meijer 1990,p. 660). Thus the policy of import-substitution merely aggravated the dualistic nature of the economy. Eventually, effects of the policy started to show up in the balance of payments problems as the income from copper exports began to decline. With balance of payments problems production in most enterprises began to falter as they had been

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<sup>2</sup>K - Kwacha the Zambian currency.

built to produce consumer goods with a dependence on foreign inputs. It can therefore be seen that the policy of import-substitution failed to address the needs of the majority of the population of whom under rapid urbanisation were the youth. Rapid population growth coupled with rapid urbanisation led to a fast growth in the number of youths residing in the urban areas for whom employment would be a necessity as they entered the labour force. Despite having foreseen the declining relative importance in copper mining it was thought that other sectors of the economy would foster growth to an extent that growth in employment in the formal sector would have grown from 272,500 in 1964 to 600,000 by 1980 (Zambia 1969,p. 20). In this way it was assumed that a substantial number of the new entrants to the urban labour force, who were mostly youth, would be employed in the formal sector. Alas, this could not happen as formal sector employment only reached a peak of 393,490 in 1975 (Zambia - NCDP 1989,p. 49). By failure of the Government to match employment generation in the formal sector with rapid urbanisation, a lot of youth were left out of protected employment without any official social security to depend on. The plight for most of the youths that have been left-out has been a push effect into the informal sector.

For a long time among Zambia's macro-economic policies there has been an encouragement of labour intensive means of production. This policy features prominently in the economic restructuring programmes of the 1980s and early 1990s (Zambia - FNDP 1989). However, the country has continued to highly invest in capital intensive means of production. This is evident in the country's continuation to spend about 40 percent of GDP on imports, and has one of the highest figures for per capita imports in Africa (UN 1988). The imports are mainly for the sustenance of existing plant and machinery. Since most of the production units that were built under the import-substitution policy were capital intenring programmes of the 1980s and early 1990s (Zambia - FNDP 1989).However, the country has continued to to higly invest in capital intensive means of production. This

is evident in the county's continuation to spend about 40 percent of GDP on imports, and has one of the highest figures for per capita imports in Africa (UN 1988). The imports are mainly for the sustenance of existing plant and machinery. Since most of the production units that were built under the import substitution policy were capital intensive, the economy has had to continue importing raw materials and spare parts in order to keep them operational even though the balance of payments have been unfavourable. By 1986 imports of machinery and equipment were accounting for about 50 percent of total imports (Zambia - Monthly Digest of Statistics 1989, pp. 20-21) while fixed investments had declined from 29 percent of total GDP in 1970 to 11 percent in 1986 (Zambia - Economic and Financial Policy Framework 1989, p. 1). This situation meant that for some years ahead there would be no large enough investment in the formal sector to cause a drastic increment of employment in it. Hence, the urban youth have had to make do with employment opportunities created by individual investments in the informal sector. At the same time very few informal entrepreneurs employ labour due to a multitude of problems in expanding their businesses. A report by the Prices and Incomes Commission (1989) on the informal sector employment and incomes survey of 1988 gives some of the constraints as :

1. Low amount of investment capital;
2. Lack of business premises;
3. No access to electricity;
4. No access to water;
5. Lack of raw materials;
6. Lack of access to credit;
7. Lack of transport;
8. Lack of spare parts;
9. Lack of skilled manpower;
10. Lack of expert advice; and
11. Lack of market for goods.

As the majority of the informal sector participants are self-employed it means that they also have to depend on their own initiatives to find some form of investment for their



activities. And so, as we have already seen above the youth turn to the activity that does not require great investments in order to operate - the trading activities. The youth have had to enter these activities not as a result a deliberate policy by the Government but as a way of seeking a means of survival.

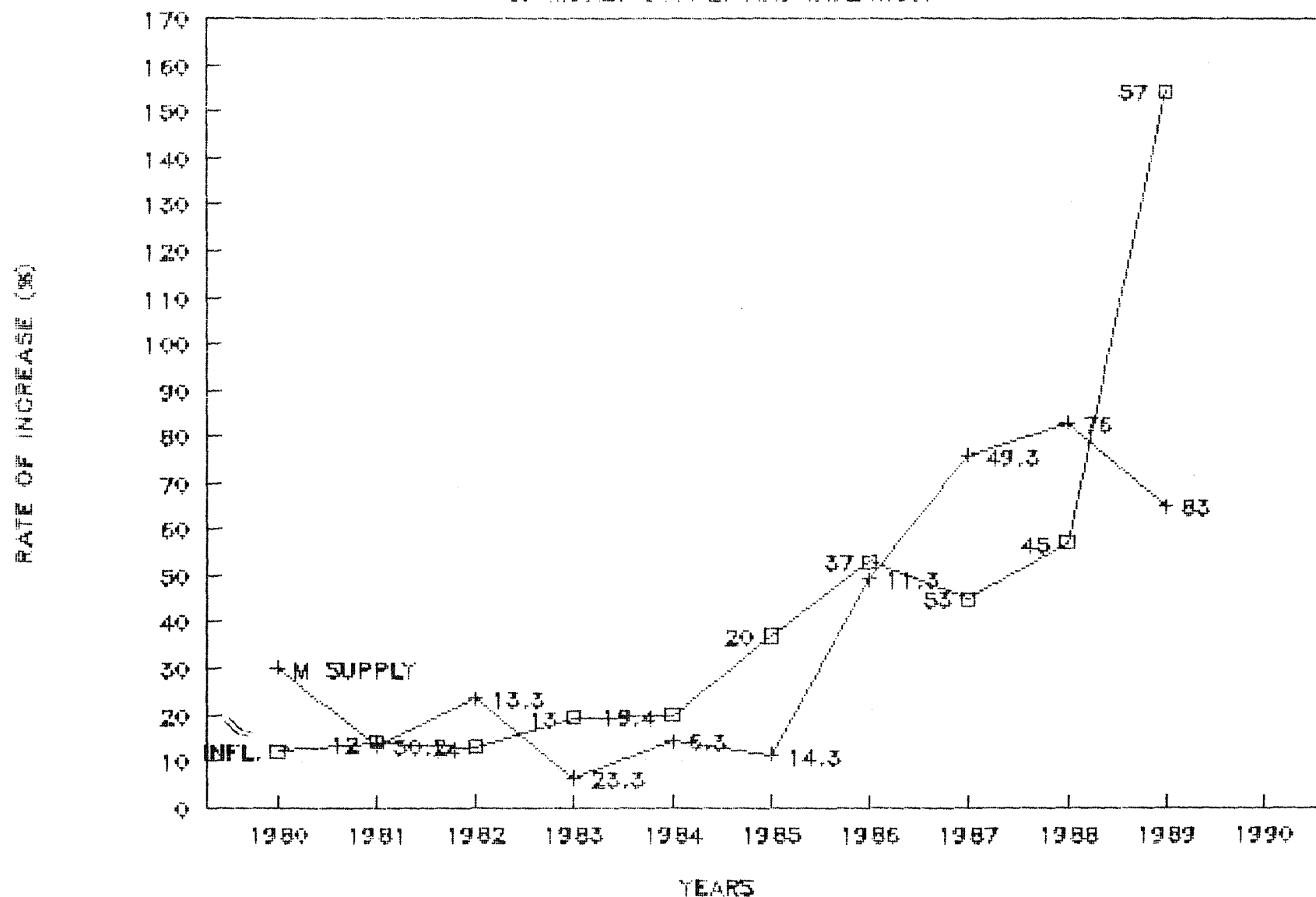
Due to reduced capacity utilisation in the formal sector, declining investment rates and balance of payments difficulties the Government had been unable to fulfil the policy of increasing consumer goods through its policy of import-substitution. Nevertheless, private consumption has been on the increase. It increased from 39 percent of GDP in 1970 to 62 percent in 1986. (Zambia - Economic and Financial Policy Framework 1989, p. 1). And it further increased up to about 77 percent of GDP in 1989 (Zambia - Economic Report 1989, p. 15). It is clear that these high levels of consumption could not only constitute of demand for goods and services from the formal sector for production in the formal sector has stagnated. Therefore, a lot of demand for consumer goods in the urban areas is met by the informal sector, especially from activities by the youth. Most goods provided by the informal sector may be mediocre in quality but, they are better than having nothing when most people cannot afford high quality goods.

After years of a restrictive budgetary policy, the cardinal policy in the 1991 government Budget Speech of 1990 was more encouraging to private enterprise. The informal sector is a domain of private enterprise and therefore, policies directed toward the uplifting of the private sector have a profound effect on the sector as a whole. The most important aspect of the policy was the pledge to remove restrictions that hinder the easy establishment of business ventures (Zambia - Budget Address 1990, p. 7). If this policy facilitates the easing of constraints that informal sector entrepreneurs face in operating a business venture then there would be scope for a substantial number of informal sector enterprises to graduate into formal entities, thus improving on their ability to employ youths. However, one

has to applaud this policy with caution in as far as commitment to assisting youth in the informal sector is concerned as seen against the policy of the Government to reduce the budget deficit. While it is economically prudent to reduce the budget deficit, cuts in Government expenditure have generally not been favourable to programmes that could improve the employment situation of the youth. As an example, the government agency mandated with promoting employment creation ventures for the youth, the Zambia National Youth Development Council (ZNYDC), only got K200,000 (Zambia - Economic Report 1989, p. 133) for its planned budget of K21,232,569 in 1988 (ZNYDC, p. 28). This large shortfall in expenditure means that the ZNYDC cannot cause on wide scale a proliferation of skills through its training centres and assist the graduates settle into self - employment.

Reducing inflation and money supply have been prominent features of the restructuring years of the 1980s and into the 1990s. As the economy continued to stagnate there had been an increasing demand for money. Inflation was also been on the upswing. The trends of both money supply and inflation rates between 1980 and 1989 are shown in Figure 4.1.1. It is clear from Figure 4.1.1. that the policy of reducing money supply and inflation had not taken root in the 1980s. The rapid increase in money supply and inflation exhibit the vulnerability of the weak economy from the effects of structural adjustment programmes. During this period protectionist measures were gradually discarded and the economy was increasingly subjected to free market forces. The late 1980s could thus be taken as a lag period before the economy could start recovering as seen by the decline in money supply starting in 1988. The policy under discussion has the intentions of effecting a reduction in interest rates which would consequently lead to increased investments in the formal sector, with a subsequent expansion in employment opportunities. Logical as this argument may seem, it is not possible to state with accuracy how long it would take before the formal sector would start expanding employment opportunities on a large enough scale to mitigate the poor

FIGURE 4.1.1: RATES OF INCREASE  
OF MONEY SUPPLY AND INFLATION



SOURCE: ECONOMIC REPORT (1980 - 1990), BUDGET ADDRESS 1990, AND FNDP

nature and quality of employment of most youths. Hence most youths will have no choice but to tolerate the harsh conditions of the informal sector for as long as the lag period lasts if they are to be in employment in the urban areas.

On the whole, macro-economic policies had drastically changed in the late 1980s and early 1990s to the extent that they are favourable to growth of informal sector enterprises. However, during the lag period in the restructuring process of the economy the nature and quality of employment for most youths employed in the informal sector is bound to remain poor due partly to low incomes to both the enterprises and the employees as a result of high inflation rates.

As we have already established that the informal sector will be a source of employment for a lot of youths in the 1990s it is worthwhile exploring how some changes in the macro-economic framework will consolidate the informal sector as an employer. Critical to the informal sector being able to provide employment is the availability of investment capital. Most informal sector enterprises are set-up using only personal savings as capital investment (Prices and Incomes Commission 1989, p. 21). Though the passing of the Small Scale Industrial Development Act in 1981 (SID Act 1981) did not explicitly address itself to the informal sector its characteristics nevertheless, make it amenable to the informal sector enterprises. The SID Act addresses the business problems of small scale enterprises and since we have already established that the enterprises found in the informal sector are of a small nature, they are therefore, implicitly covered by the Act. A major component of the Act that informal sector enterprises may benefit from is the facilitating of credit availability to small enterprises that are registered with the Small Scale Industry Organisation (SIDO). As a way of encouraging the development of small scale enterprises SIDO was mandated to give credit at interest rates lower than what was prevailing on the market, while shortfalls in its revolving fund were to be replenished

and increased by Government grants. However in 1988 SIDO had to suspend its credit scheme because of lack of funds (Lubinga 1989, p. 43). As the Government had increasingly become unable to provide adequate funding to SIDO it had become clearer that SIDO could not be the exclusive provider of credit to small scale enterprises. Commercial banks had all along been reluctant to provide credit to small scale enterprises, and therefore they needed to be encouraged to participate in making capital available to the enterprises. Commercial banks feared lending to most small scale enterprises because there were not enough safeguards for compensation if the project they were funding for an enterprise failed. To allay the fears of commercial banks the credit guarantee scheme was introduced under the amended Bank of Zambia Act of 1988 (Zambia - Budget Address 1989). Under this scheme, 70 per cent of a loan to a small scale borrower is automatically guaranteed by the Bank of Zambia. Furthermore, in recognition of the potential for small scale enterprises to generate employment, the 1991 Government budget committed a huge amount of K30 million under the Development Bank of Zambia for disbursement as loans to small scale enterprises (Zambia - Budget Address 1990, p. 17). Hence, under the new policy framework it was made much easier for an enterprise in the informal sector to avail itself to capital from formal commercial sources by first registering with SIDO who would assist it upgrade its status through the provision of technical services.

Given the large number of participants in the informal sector and the proliferation of poverty on a wide scale not many manage to set up enterprises on an individual basis. As an alternative to individual enterprises, the Zambia National Youth Development Council (ZNYDC) encourages youths to set up co-operatives (Youth Development Programmes for the Quinquennium 1988-1992, p. 18). Since most youths would have had no prior working experience when they embark on entering the informal sector it also goes that they would have had hardly any savings, except perhaps minimal grants from relatives, for them to start up individual enterprises. In such a situation it becomes

advantageous for groups of youths to pool their meagre resources into a co-operative venture. As co-operatives, youths' enterprises could benefit from capital resources that are to be available from the co-operative bank of which its establishment is within the period 1989-1993 (Zambia - FNDP 1989,p. 430). Taking into consideration the observation made so far it is evident that the changing macro-economic policies of the 1980s and early 1990s have contributed to the opening up of formal capital sources for the informal sector entrepreneurs. As a follow-up to opening up of formal sources of capital it is needed to have youths organise themselves into enterprises from which they would be able to benefit from the capital being made available.

The combination of decontrolled prices, elimination of foreign exchange restrictions (foreign exchange made available only at market rates) and the adjustment of interest rates to achieve positive real levels as part of the policy framework beginning 1989 contributed to the rapid increases in consumer prices. The consumer price index for the low income group was 1,731.7 in 1988 (1975 = 100) but, by April 1989 it had reached 2,977.5, an increase of about 72 per cent (Zambia - Monthly Digest of Statistics 1989,p. 46). The increase in prices had obviously made life much more difficult for the low income group who are also the majority of the population. However, it must be remembered that a lot of consumer goods have been provided by a manufacturing sector that is largely dependent on imported inputs. The imported inputs had their prices increase in Kwacha terms due to the continued devaluation of the Kwacha, while rising interest rates made capital more expensive, and under a regime of decontrolled prices these costs were passed on to the consumer. Whereas this situation is hurting to the manufacturer of consumer goods in the formal sector it is highly probable that the same situation opened up markets for the informal sector entrepreneur. And so, because the informal sector has traditionally been known to produce goods and services at prices which could be afforded by the low income groups (ILO - SATEP

1982,p. 9), the majority of the population would tend to shun the expensive goods from formal sector outlets and settle for comparable cheaper ones offered by the informal sector in the situation of high inflationary trends created by a poorly performing formal sector. Expanded markets are mostly likely to occur for those enterprises producing goods with a high input of local raw materials.

According to the Government budget for 1991 the tariff structure has been drastically revised as a way to substantially bring down the amount of duty paid on imported goods (Zambia - Budget Address 1990,p. 22). The immediate relevance of this revised structure of tariffs to the informal sector is that those enterprises which benefit from expanded markets could also benefit from reduced duty on spare parts, tools and machinery they need to import. Even where the informal sector enterprise does not directly do the importing of needed tools, machinery, and spare parts it would be expected that the importers would not make the prices exorbitant. After all the importer would have to set the prices of his/her goods in accordance with the demand levels in a competitive market. The competitive market has been enhanced by the macro-economic policies of the 1980s and early 1990s.

Other constraints for the informal sector enterprise operations such as lack of business premises depend more on the overall legal recognition of enterprises in the sector than mostly on the macro - economic policies. Once the status of informal sector enterprises is much more positively defined, it follows that such constraints as no access to electricity and water would also be comprehensively addressed. The problem is that a lot of informal sector enterprises operate from premises where they are legally not allowed or designated (Mulwila and Mushota 1985). Considering that electricity and water are provided by formal sector utility companies, it would be a breach of the law if these companies made electricity or water available to an illegal premises. And by their nature formal

sector enterprises are supposed to operate within the stipulated legal framework. As for the constraint, lack of transport, it is generally dependent on the individual performance of enterprises and entrepreneurs, as well as on the response of the business community to the whole package of macro - economic policies.

Although it is not immediately apparent that lack of skilled manpower is linked to macro - economic policies, it is nevertheless obvious that availability of skilled manpower depends on the financial ability of both the government and private organisations to fund training programmes for youths not yet in the informal sector and those that are already there. The Government budget for 1991 recognises the need for skills training as a means to self-employment (Zambia - Budget Address 1990, p. 17). To this effect it offers the use of idle public facilities as training centres. These centres could go a long way in providing skills if they would be adequately funded, unlike the trend that had been observed up to 1989 (cf. Zambia - Economic Report 1989, p. 132).

#### 4.2. Labour policies

The informal sector is generally not regulated by labour legislation. Basically, an enterprise can only fall in the regulation of the labour legislation if it is registered under the Companies Act. Most, if not all, informal sector enterprises are by definition not registered under the Companies Act. Otherwise informal sector enterprises find themselves being regulated by legislation pertaining to local Governments (municipalities). Hence most informal sector enterprises find that they neither meet the requirements of labour legislation nor that of local governments. It is this non-recognition by any legal instrument that make some people regard the informal sector enterprises as illegal entities. However, it is widely acknowledged that these entities employ labour and as we have already seen it is not necessarily out of choice but out necessity. It therefore, becomes pertinent to analyze some labour policies and see whether they can be modified so that



they can accommodate labour employed in the informal sector, especially the youth.

Under the labour laws, no person of the age below fifteen years can be employed (Zambia - Department of Labour 1982,p. 21). This condition is also enshrined in the Protection of Fundamental Rights and Freedoms of the Individual of the Constitution of Zambia (Zambia - Government Gazette 1991). The constitution also gives provision for special legislation to be passed if it is deemed necessary that a person under the age of fifteen should be employed under special circumstances. As for the informal sector it seems special legislation is required to legally allow some youths under the age of fifteen to remain in employment or enter into employment. Although the employment of persons under the age fifteen years in the urban informal sector does not seem to be significant, it nevertheless exists as the Labour Force Survey 1986 (1989,p. 100) found that there were 4.7 per cent youths of the age group 12-14 years employed in the urban informal sector out of the total urban informal sector employment. At the same time there were only 0.1 percent youths of the same age group employed in the formal sector (urban). During the same period the unemployment rate for the age group 12-14 years in the urban areas was 19.2 percent (ibid,p. 84). Since employing of persons below the age of fifteen is illegal we can only assume that the unemployment rate given in the survey report for this age group is only a measure of the extent to which children out of school in this age group are idling about. Even though some children in this age group find themselves employed it does not warrant advocating the employment of persons below the age fifteen given the reasons for legislating against it. In this regard the Government and the private sector would do better to provide training programmes that children below the age of fifteen would find useful for seeking employment when they attain the legal age for employment. Taking into consideration the economic environment analyzed above, most of these children would end up in the informal sector. It is precisely because of this apparent

destiny for most children in the urban areas and immigrants that they must be trained in skills that would enable them outlive the harsh working conditions of the informal sector while also earning a reasonable income.

Informal sector enterprises are as a rule not visited by officials from the Ministry of Labour for purposes of inspecting the suitability of the premises for the operations being carried out, or for purposes of enforcing the legal provisions relating to terms and conditions of employment. As such the setting of working conditions in an informal enterprise are an absolute prerogative of the entrepreneur. Usually informal sector enterprises are so economically disadvantaged that they could not possibly fully manage to abide by the requirements of the labour legislation. It has been found that usually youths are employed in the informal sector as apprentices but, even then very few entrepreneurs employ youths because of lack of funds to pay trainees and to contribute to the cost of training (ILO - SATEP 1982, p. 38). To alleviate a lot of the problems of an informal sector enterprise, an official recognition of the enterprise as a nascent entity is required. The official recognition can only be fully achieved by incorporating legal concessions for its scope of operations in the law of the land. Once the informal sector enterprises get full legal definition it would be easier for the Government to assist entrepreneurs on such matters as supporting apprenticeship programmes, thus encouraging them to employ more labour who would invariably be youths.

As a micro enterprise the informal sector enterprise cannot manage its labour relations within the realm of the Industrial Relations Act. Under the Industrial Relations Act of 1990 only an enterprise with 100 employees and more can have a trade union formed, while enterprises with at least 25 employees should form a works council. Other provisions of the Act aside, it can be seen that the number of employees in an enterprise disqualifies the organisation of employees in the informal sector to organise

themselves under the auspices of the Act. For as long as the status of the informal sector enterprises remain undefined under the law neither employees nor employers in the sector would be organised strongly enough as their counterparts in the formal sector to the extent that they would be able to receive comprehensive technical support from formal organisations in order that they may be able to enhance production and incomes. Furthermore, labour disputes in the sector cannot even benefit from the existence of the Industrial Relations Court. However, it is also understandable that the financial and physical scope within which most informal sector enterprises operate makes it impossible to apply to them the standards applicable to the formal sector. On the other hand, if legal concessions for the recognition of the informal sector enterprise were enacted then participants in the sector would be able to form associations that would relate to the formal sector in a capacity of a nursery. With this kind of an enabling environment for the informal sector enterprise the youth employed in it would minimize the chances of ending up in a vicious circle of being a source of cheap labour once settled in the sector. It is possible that some youths employed in the informal sector may stay there longer than others because it may take some years before the formal sector would have started expanding at a rate high enough to be able to offer employment opportunities to a substantial segment of the labour force. If we also consider that studies have shown that the informal sector also exists in the developed economies though on a small scale (Portes, et al 1989), then it is all the more likely that youths will continue to be employed in the informal sector even as the economy reaches the threshold of full development. Hence, labour laws to protect them from extremely bad working conditions such as wages of mere pittance, unhealthy working premises, and no access to training in the sector, would always be required.



CHAPTER 5  
CONTRIBUTION OF EDUCATION TO EMPLOYMENT OF YOUTH  
IN THE INFORMAL SECTOR

5.1. Education as a provider of skills

Already from the previous chapter we recognise that education can play an important role in providing youths with skills that they would find useful for employment. However, for a long time in Zambia, education has not been perceived as something that could assist youths find or maintain employment in the informal sector. It was only when the economy stagnated that it became apparent that since most youths were getting employment in the informal sector it is important that the education system prepare them for skills needed in the sector. Before the recessionary periods the education system was mainly geared to imparting skills that were needed for the strengthening of the political and economic infrastructure, and modifying the distorted and inequitable effects of colonial capitalism (Hoppers 1985, p. 44). During the early years of independent Zambia the main concern for the Government was to train Zambians to take over the overseeing of the development of the economy. Thus the importance in training was attached to bureaucrats rather than the skills for industry. Hence, technical training which could provide youths with the productive skills that could be useful in the informal sector was ignored. This legacy continued for a long time, way into the 1980s.

As the economy further stagnated and employment in the formal sector plunged and stagnated a realisation was dawning that the education system in Zambia must not give most of its attention to academic education but should also encourage technical training. This situation has also been noticed to be prevalent widely across Africa and Rathgeber (1986, p. 3) observes that it is only in the 1980s that policymakers started laying

emphasis on the vocationalization of the curriculum and on the teaching of skills which are considered will have immediate applicability and relevance to the world outside of school. Indeed vocationalisation of the curriculum is not new to Zambia. Before independence vocationalisation of the curriculum was particularly part of the Trades schools but, after independence these schools had acquired an unpopular image as having been instituted to prepare people for a lifelong occupation as 'hewers of wood and drawers of water' (Hoppers 1985,p. 46). Increasing numbers of unemployed youths in the urban areas helped overcome this bias against vocational training.

The vocationalisation of the school curriculum has become even more imperative since the 1970s because more children have become increasingly unable to proceed in the education system beyond primary school as the progression rate from Grade 7 (last grade in primary school) to Grade 8 has steadily been declining with the levels reaching as low as 16 per cent in 1983 (Hoppers 1983,p. 25). Declining progression rates for primary to secondary school coupled with the progressive devaluation of secondary education as an asset on the labour market (Hoppers 1981,p.57) has given more prominence to non-formal community based skills training centres (Hoppers 1983,p. 29) as an alternative source of vocational training for those children who are out of school. These centres provide industrial skills which can improve young people's positions in the labour market. Complimentary to these community-based skills training centres, which are operated by a wide variety of private organisations, the Government also operates a skills training centre in each of the 9 provinces (Zambia - Economic Report 1990,p. 142). The Government operated centres offer training programmes beyond most of the traditional skills of carpentry and tailoring offered by the community-based centres. The other training programmes offered in Government centres are such as bricklaying, leather work, boat building, blacksmithing, poultry keeping, pig rearing, and crop production (Ibid). The skills training centres have become even more

important for youths with only primary school education because they can also no longer hope to get crafts training in a formal trades school, which in the 1960s and 1970s admitted primary school graduates, because these schools (institutes) are have began admitting only secondary school graduates (Zambia - Economic Report 1989,p. 44). Even then, these trades schools cannot guarantee that their graduates will get employment in the formal sector because of stagnating employment generation in the sector regardless of the fact that the training programmes offered are widely varied such that they include:

1. automotive mechanics;
2. electrical;
3. auto-electrical;
4. painting and decorating;
5. plumbing;
6. trowel trades;
7. agriculture mechanics;
8. metal fabrication;
9. wood mechanics;
10. panel beating;
11. machinist fitter;
12. mechanical;
13. refrigeration;
14. radio and television;
15. office machine repair;
16. carpentry and joinery;
17. cutting and tailoring;
18. machine printing;
19. printing finishing;
20. graphic art;
21. composing; and
- 22 water operators

(ibid,p. 45).

What we see from the above analysis is that apart from the vocationalisation of the school curriculum youths can use their education background to acquire a skill in a training programme offered either by a skills training centre or by a trades school.

This process is very relevant to youths considering that skills acquired in a training programme can also be of great use in the informal sector apart from the formal sector since, as Hoppers (1981,p. 21) found out, success in the informal sector depends more on the application of skills rather on the education background of the participant.

Hoppers (1981,p. 57) and Haan (1982,p. 9) also found out that levels of education attained by youths have an influence on the type of activity they choose to participate in. Haan (1982,p. 9) contends that most youths are attracted to what he refers to as 'modern informal activities' such as radio repair, motor repair, and copper curio manufacturing not only because of the high remuneration that they offer but, also because these trades require more skills than the traditional trades and that youths having gained from the great strides that the education system has achieved since independence, they possess the required skills. Despite the lack of data, the analysis presented so far convinces us that the better educated youths have a leverage to be more innovative in the informal sector thereby being able to improve on their incomes, working conditions, and career progression. The assumption that there are a lot of youths with relatively good education in the informal sector can be seen from the fact that out of the total employment of 18,263 persons in the informal sector, about 30.1 per cent participants had an education background ranging from Grade 7 up to post secondary school qualifications (Zambia - CSO 1989,p. 107). Hoppers (1985,p. 115) also found that education is also an important factor for the youth in deciding to enter apprenticeship in the informal sector in that those youths with less than Grade 7 do not seem to start apprenticeship earlier than those who have completed primary school. For most post-school youths the move into apprenticeship represents an important element of a strategy by which one attains the best position for gaining access to promising opportunities for further education/training or wage-employment (ibid,p. 116). Education therefore, enhances the ability of the youth in the informal sector to better manipulate the employment



situation despite the exploitative working conditions of the sector.

## 5.2. Education as a means of progression

Looking at the literature on the informal sector it seems the concept of entrepreneurship is elusive. As such there are no extensively researched attributes to the career progression in the informal sector. Since in this paper we consider informal sector enterprises as small enterprises, it is therefore visible from Romijn (1989, p. 8) that entrepreneurship in the sphere of small scale enterprises can be analyzed from two distinct contrasting schools of thought. One view is from the point of sociologists and psychologists which contends that entrepreneurial behaviour in individuals has to do with their formed attitudes and personality, whereas the economists' approach is that entrepreneurial activity is dependent on the state of the economic environment and therefore, can be influenced by policies and programmes which have an impact on the availability of raw materials and technology, the interest rate, the availability of finance, the exchange rate and the ability or otherwise to import and export, and the extent of competition in the market. We can see that these two popular approaches of analyzing the performance of small scale enterprises do not particularly delve into the influence of education on progression of participants in the enterprise.

Our interest in investigating whether there is an influence of education on the progression of entrepreneurs in the informal sector is very pertinent to our study of the nature and quality of employment of youth in the sector because we have earlier on in the paper seen that there is a preponderance of self-employed youths in the sector. Education is very critical to the participation of youths in the labour force when we consider that a lot of youths are ending up in the informal sector and that this situation is compounded by the fact that many youths do not continue to secondary school after completing primary school. The progression rate from primary education to secondary

education has only marginally improved from 19 percent in 1979 to 21.6 percent in 1984 (Mehra 1985,p. 7). We also know from the previous chapter that availability of education opportunities is largely responsible for the occurrence of child labour that is found in the informal sector. However, the major obstacle to analyzing the influence of education on the progression of youth in the informal sector is the paucity of data.

An important feature found in the Zambian informal sector is that output tends to be on the higher side where informal sector participants with higher education qualifications are involved. Kanya (1981,p. 17) in his study of the informal sector in the towns of Lusaka and Kitwe found that skills which require higher standards of education such as welding, motor repair, carpentry, etc. were connected with higher output and sales as the educational level of the entrepreneurs rose. Although the aforementioned activities yield high outputs for relatively higher educated participants they are not necessarily first entry activities. Because of their technological requirements these are the activities that need a lot of start-up capital. Most youths entering the informal sector, even if they are relatively well educated, they cannot afford to set-up workshops for carpentry, welding, motor repairs, and others of a similar nature. This means that those youths who would like to take up a career in a technically oriented field have to enter either as employees or as apprentices.

Although apprenticeship is not widespread in Zambia it nevertheless seems to be popular in technically oriented fields. Hoppers (1985,p. 109) found that, out of a sample of 101 only 13 youths employed in workshops had not been apprenticed at one time or another. Through apprenticeship youths learn to take care of the whole production process in a workshop. The experience the youth gets from working in a workshop is valuable for ones future if s/he decides to become self -employed. Indications are that the route to self-employment has changed from what it used to be before the 1980s. Aryee (1981,p. 6)

describes the pre 1980s route as having been such that a person entering into self-employment would have had some training in a particular trade, often in the informal sector and secondly, s/he would have worked for a number of years as a wage earner in the formal or in the informal sector. In this process although education was not a necessary requirement for entry into self-employment it would enhance the entrepreneur's performance. Confronted by a stagnating formal sector the youth apprentice could not possibly find it easy to follow this route of breaking away from the informal sector and then getting back to become self-employed. Given such a situation the youth stays with his/her master until such time as there is an opportunity to become self-employed within the informal sector. It is more to the advantage of the apprentice to stay with the employer because s/he may be the source of initial materials and some funds, as well as vital contacts for the success of operations (Hoppers 1985, p. 108). Thus, it is most likely that a relatively well educated apprentice would grasp the technical know-how of the operations in a workshop fast and if s/he has an acumen for entrepreneurship can easily progress to self-employment.

It would seem that a youth who is likely to break out of apprenticeship or out of being an employee is also likely to become an employer. This is why perhaps, we see that in Andersson's (1987, p. 166) study of small firms (informal) in West Africa, the employers with many apprentices seemed to be comparatively young and well educated. In Zambia this situation is also true to a large extent in as far as technically oriented activities are concerned. This is because, as Andersson (p. 167) points out, skilled labour seems to come into consideration when the firm has a high value of output and has considerable amounts of fixed assets. These are some of the cardinal characteristics we notice from the informal sector enterprises producing goods that require some technical know-how in the production process (Prices and Incomes Commission 1989).

We have also asserted above that a large number of youths

in the informal sector are engaged in trading activities. We can therefore, say that these youths are using their literacy skills in the redistribution sphere of the urban economy. Obviously if some of them would accumulate some savings from their activities which they could channel into productive investments then that would be a desirable way of contributing to value-added in the economy. On the other hand, as time goes by, there will be a saturation of competitors in the market and some participants would have to fall off. The youths that lose out in the competitive market may lapse into acts of desperation for survival such as crime. But to curtail such deviant inclinations education can be used as an accommodating transition to wage-employment. This can be done in the form of a programme that can be seen as a useful way for youth to continue their education in a much more practical and functional way, working not only to reach certain technical proficiency but also to reach levels of personal and social maturity (Hoppers et al 1980, p. 44). So far not much had been done in this direction.

## CHAPTER 6

### INFLUENCE OF LABOUR SEGMENTATION ON EMPLOYMENT IN THE INFORMAL SECTOR

#### 6.1. Distribution of labour force by age.

More than anything else the youth end up being employed in the informal sector because of high unemployment in the formal sector. Because they have to survive, the youth have hardly any choice but to seek employment in the informal sector despite the poor conditions prevalent in it. And so, it is not necessarily a condition of their age that a lot of youths end up being employed in the informal sector, it is more due to the inaccessibility of the formal sector resulting from protective measures consolidated under a stagnating economy. There have been hardly any openings for youths in the formal sector during the recessionary periods. The few openings in the formal sector that have occurred have been filled up through contacts rather than through open recruitment. This has led to frequent accusations by the youth that recruiting procedures are a put-up job and that even if a person is picked at the gate, the personnel manager has already been told whom to look for (Hoppers 1985, p. 93). This situation makes the informal sector more amenable to the youths when their attempts to enter the formal sector fail after trying repeatedly.

Youths are able to enter employment in the informal sector after failing to enter the formal sector primarily because the informal sector has a characteristic of relative free entry. As an example, youths entering trading activities do not usually ask anyone for permission when starting to operate alongside a street. The youths who end up as employees in the sector accept the jobs offered even though most wages are far below those paid to unskilled wage earners in the formal sector (Aryee 1981, p. 8) because most employers in the informal sector are more in need of unskilled labour than skilled labour. Using unskilled labour of a youth, who is usually employed as an apprentice, enables

the entrepreneur to expand production. As a measure of reducing costs on the apprentice (wages and cost of training), most entrepreneurs prefer to engage their own relatives and acquaintances (ibid,p. 8). The costs of training an apprentice to an entrepreneur are in the form of using his/her tools, time, material and allowances paid. After the training is completed the entrepreneur is also deprived of the services of the skilled worker s/he has spent some time to train when the graduate sets off to become self-employed. And the graduate may also become a competitor to the trainer which may result into a reduced market share for the trainer. Hoppers (1985,p. 129) found that most youths taken on as apprentices (about 59 percent) were taken on by relatives and acquaintances not only as a means to reduce costs on training, but because they also wanted someone they could rely on. As such the youth are a segment of the labour force that entrepreneurs in the informal sector can easily tap for their labour without having to offer competitive conditions of employment. The flow of cheap labour is assured through the network system of relatives and acquaintances. The unfortunate thing is that this system does not guarantee that working conditions for the apprentice may not be exploitative. Under this system exploitative entrepreneurs use their social standing vis-a-vis the apprentice in order to exert their authority. The apprentice is led into succumbing to any conditions of work s/he is subjected to because of fears of reprisals within the network.

Compared to countries such as Nigeria where most youths enter apprenticeship at the age of 15, most youths in Zambia enter at a later age 20 (Hoppers 1985,p. 138; Oyeneye 1980,p. 71). This is because most Zambian youths spend longer time searching for employment in the formal sector. It is when they realise that they are no openings for them that they turn to the informal sector.

#### 6.2. Skills profile.

Being young most youths in the informal sector also lack the skills for a much fuller productive participation in the

sector. We have seen earlier in the paper, that the formal education system does not offer much in terms of skills that are needed by youths to use in the informal sector. Though there are many openings for unskilled labour in the sector, such jobs do not contribute to the progression of youths to better working conditions. This is reflected in the situation that most entrepreneurs in the sector cannot afford to employ assistants on a regular basis and therefore, it is not uncommon for an artisan to occasionally employ an untrained youth who is only given a small allowance and can be sent home when business is poor (Hoppers 1981,p. 43). It is evident from the example just given that youths without skills become vulnerable to poorly paid intermittent work. As for the self-employed youth it is important that one has the skills of being able to make an optimal combination of the fixed and variable inputs for efficient production. Lack of these skills leads to poor output. The quality of labour is very much retarded in this situation in that there is a tendency of efforts of labour being dissipated due to lack of division of labour which lowers profits, hence income (Kamya 1981,p. 19). Most youth entrepreneurs tend to start operating alone and in the process they find that they have to spend a lot of the production time looking for capital, raw materials, and transport whereas if they took cognizance of the a need for division of labour they would operate in partnership thereby having the various operations of the enterprise optimally apportioned to each participant. This way they would increase time spent on production rather than away from production looking for resources.

Skills acquisition for a youth entering or already in the informal sector is very important for the enhancement of ones nature and quality of employment. Since we have seen that a lot of youths like to enter into activities that require some technical know-how it is important that they acquire skills that would help them to be able to stimulate innovation and diversification, use funds more efficiently, as well as tools and equipment (ILO 1982,p. 24). With these skills those who

venture into self-employment would be able to raise output and sales. As for those youths who end up as employees they would have a better bargaining position with employers on conditions of employment if they are equipped with marketable skills. It is therefore, important that youths are exposed to basic business skills and practical skills if they are to successfully endure the working conditions of the informal sector.

### 6.3. The role of gender.

Most activities in the informal sector have participants according to a gender bias. Members of the two genders tend to gravitate to activities already predominated by their gender. Thus we find that activities such as carpentry, welding, motor repairs, tinsmithing and radio repairs are dominated by males, while such activities such as sewing, cooking and homecraft are dominated by females. But it is important to note that, it could not be said that the major activity in the informal sector, trading, is dominated by a gender merely because of an affinity by members of that gender group to enter that activity. It has been observed that women are the majority in trading activities (ILO 1982,p. 11). And so, petty trading is the major source of informal sector income for most women (Jules-Rosette 1982,p. 6). Even though women dominate trading activities in terms of their number, men nevertheless dominate it in terms of income (Haan 1982,p. 5). This situation comes about because most women participate in the informal sector on a part-time basis due to demanding household duties which demand their attention at those times that business is brightest, e.g. just before meal times (Muller 1979,p. 73).

The general picture in the informal sector, where it concerns gender, is that although females make up the majority of participants they are more disadvantaged than their male colleagues. Looking at the Labour Force Survey 1986 (1989,p. 100) we find that there were about 27 percent female youths in the sector as compared to only about 20 percent for males. Female



youths were also a substantial group out of the total number of females in the sector - they accounted for 48.1 percent. Apart from dominating in trading activities females also engage in activities such as sewing, knitting, and embroidery. But not many are involved in seemingly female activities such as dress-making and tailoring because these are monopolised by males (usually non-youths) who have been able to muster the large capital requirement for obtaining the tools and materials (Bardouille 1981, p. 19). Even when females are engaged in other manufacturing activities such as sweet manufacturing, basket making and others, their participation in manufacturing and services as a whole is very low, accounting for as low as 6 percent as was found by an ILO/SATEP survey in 1981 (Haan 1982, p. 4). Bardouille (1990, p. 29) gives a number of reasons why females are very few in manufacturing and service activities. According to her, most men. It is clear from these observations that if female youths have to be prepared for equitable employment opportunities even in the informal sector then society has to change its attitudes towards the skills that females acquire prior to entering and when already in the sector.

In 1984, females constituted 51.5 percent of the total population in the age group 15-19 in the country, but the general indication is that out of this secondary school age population fewer of them were enrolled in secondary schools than males considering that across the country only 12.2 per cent of this age group of females got enrolled while 23.0 per cent males were enrolled (Mehra 1985). Taking into account that this situation repeats itself almost every year it is clear that the majority of the youths that do not continue to higher levels of education beyond primary school are females. These females who are left out of further education would have already reached their legal age for entering the labour force and therefore, they become eligible for employment. It is at this stage that it is critical that female youths should have skills necessary for useful employment on an equitable basis with males, especially that they may have to end up as self-employed in the informal sector. Since the

stagnating formal sector would not offer most of the female youths jobs it is equally imperative that these youths have skills that can also be useful in the informal sector regardless of gender status. This would involve removing constraints that out-of-school female youths face in order to train in skills that offer higher income job opportunities because training programmes offered favour males than females by socially determined choices. Thus, Osei-Hwedie (1985,p. 274) observes that courses offered in skills training centres for females are home oriented - home economics with emphasis on house wifery, child care, family budgeting and planning, cookery and nutrition, sewing, knitting, embroidery, and health and hygiene. Meanwhile, male youths are encouraged to concentrate on carpentry, mechanics, agriculture, electronics and metal work -skills that yield relatively higher incomes in the labour market. A way to alleviate the predicament of female youths in the informal sector is to impart skills to them with a view that a productive job will be created for the individual in the labour market rather than only imparting skills which are only applicable within the household and yet it is well recognised that the female has also an obligation to support the household economically.

## CHAPTER 7

### POLICY OPTIONS AND CONCLUSIONS

#### 7.1. Conclusions.

From data presented in the paper we have seen that a lot of youths are employed in the urban informal sector. It has been recognised that the employment of most of these youths in the sector is as a result of a push effect by the macro-economic situation prevalent in the country. Thus most youths have not ended up in the informal sector because they were attracted into it by virtue of their age but, because they could not find employment in the stagnating formal sector. Since there is no official social security system to take care of the unemployed the youths have no choice but to seek employment in the informal sector if they are to survive. This situation is vividly clear in that most youths who enter the informal sector have no education or are drop-outs mainly at the primary school level and that they are mostly from low income families (Hoppers 1985, p. 56). For as long as the formal sector is unable to employ a substantial number of youths, the informal sector will continue to be a major source of employment for most youths in the urban areas. Thus it becomes imperative to address the nature and quality of employment in the informal sector. It is also recognised that the nature and quality of employment of youths in the informal sector is largely influenced by operations of the entrepreneurs and enterprises which are also affected by the policies governing the economy in the country.

Paramount to the enhanced performance of the informal sector is the legal framework under which it operates. Because by their nature informal sector enterprises do not conform to the legal statutes in the form that they exist it means that they have to face numerous barriers to growth. It is only when an enterprise exhibits growth that it could be said to be viable. One thing that is clear is that whether they are given legal recognition

soon or not they will continue to exist in the urban economy. Thus, given the high rates of unemployment among youths in the urban areas, and until the formal sector starts expanding at rates high enough to be able to absorb a substantial number of youths in the labour force, the informal sector will remain a major alternative for employment generation. The nature and quality of employment offered to youths in the sector will very much depend on how enterprises in the sector perform economically. With appropriate changes in some policies so as to provide an enabling environment for informal sector enterprises to operate legally, the prospects for improving youth employment status in the sector are conceivable.

## 7.2. Policy options.

By all indications some new policies have to be introduced in order that the conditions that youths are employed under may change for the better. We suggest some of these policy options below:

1. Under the present legal framework informal sector enterprises cannot be recognised as legally viable entities. Because of legal constraints they are unable to optimally use resources in the economy to foster growth. Under such circumstances it becomes difficult to justify employment offered in them as useful to youths. However if legal recognition is given to informal sector enterprises as nascent micro enterprises then most of the constraints they face in their operations would be addressed by institutions designed and those interested in assisting them without having the fear of treading on illegalities.
2. Possession of skills is very important for youths in the informal sector. It is good that the Government and some private organisations are offering training to youths out-of-school in various skills. But in-house training such as apprenticeship in an informal enterprise is still not well supported. Therefore, there is a need to devise a compensatory system for

the entrepreneurs that train youths in order to lessen the cost of training to the entrepreneur.

3. Since a substantial number of youths are taking up self-employment in the informal sector without first having worked in the formal sector their capabilities to operate independently are likely to be inefficient due to lack of working experience in their trade. Hence, it is desirable that the Zambia National Youth Development Council should identify nascent youth entrepreneurs and enterprises (co-operatives inclusive) and nurture them to a stage where they can be eligible for support from the Small Scale Industry Organisation.

It is our conviction that the above policy options would go a long way in influencing the operations of enterprises in the sector such that the nature and quality of employment of youths in the sector would be that which would give an opportunity to youth to improve on their livelihood.



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