

**ISSUES IN DEVELOPMENT**  
**Discussion Paper**

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**The impact of structural  
adjustment on the urban  
informal sector in  
Zimbabwe**

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## Preface

One of the major development concerns in recent years, particularly in sub-Saharan African countries, has been the rapid growth of *urban* population - in excess of 5 per cent per year. Much of the growth in urban labour force is currently being absorbed in what is known as the urban informal sector. Perhaps two thirds or more of urban employment in these countries is in the informal sector. With the introduction of structural adjustment programmes during the 1980s its impact on employment and conditions of work in this sector is not clear. It is generally believed that one major outcome of these programmes has been a significant reduction in wage employment in both the public and private sectors. It is further believed that most of the workers retrenched entered the informal sector, starting their own small business. If this is true was the increase in employment in this sector accompanied by improved incomes and conditions of work? Though there are no hard evidence on this question it is generally believed that one of the major impacts of the structural adjustment programmes in sub-Saharan Africa has been a significant reduction in the aggregate income and demand in the whole economy. According to one view the reduction in real incomes of households led to higher demand for informal sector goods and services. Even if a restructuring of demand did take place it is not evident that the informal sector benefited from the structural adjustment programmes; the net result depends on the extent of decline in aggregate demand.

Besides the macroeconomic effects above the structural adjustment programmes are expected to affect the cost and revenues of informal sector businesses both directly and indirectly. To the extent the informal sector depends heavily on the modern sectors and external trade the influence of SAP on the former could be positive or negative depending on the nature of linkages. The direct effect of SAP consists of changes in the structure of costs and revenues on the informal businesses resulting from various reforms including fiscal, monetary, privatization, deregulation and so on. In order to determine whether the structural adjustment programmes in Africa had a beneficial impact on employment, incomes and conditions of work in the urban informal sector clearly there is a need to collect relevant data through surveys and analyse them.

The ILO, under the sub-programme on the urban informal sector, therefore decided to carry out some exploratory studies to assess the nature and magnitude of the impact of SAP on this sector. The first study was carried out in Nigeria in 1992, which collected and analysed the data on informal sector in two cities - Lagos and Zaria. This study by Guy Mhone on Zimbabwe is the second in the series and focuses on three cities - Harare, Bulawayo and Gweru. It analyses the data collected through sample surveys of informal enterprises in 1993 and draws policy conclusions. The findings of the study suggest that the overall impact of SAP has not been favourable to the informal sector. Besides significant decline in aggregate demand, the SAP seems to have had a negative impact on modern private sector which in turn was transmitted to the informal sector since it depends on the modern sector for its raw materials and intermediate inputs requirements. Increase in real price of food and increased cost of social services including health and education appear to have depressed the demand for non-food items, especially those precluded in the informal sector. Also a large majority of the 25,000 retrenched workers appears to have entered this sector. The net result, according to the study, appears to have been involuntary; increase in employment was accompanied by decrease in production at the enterprise level and higher competition among informal enterprises.

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## **Executive summary**

This study analyses the impact of structural adjustment measures, as promulgated in the Economic Structural Adjustment Programmes (ESAP), on the urban informal sector in Zimbabwe. The study is based on a sample of urban informal sector activities in the main cities of Harare, Bulawayo and Gweru which together account for about three-quarters of the urban population. In addition, the study relied on sample surveys of purchasers, households and industries to assess the demand for products produced by the urban sector and on a survey of retrenched to assess their desire to participate in the urban informal sector.

Given the difficulty of disentangling the short run and long-run consequences of ESAP, the hypotheses of the study were based on the known effects of ESAP, so far, on the formal sector. These effects have primarily been simultaneously contractionary and inflationary. In this regard, it was hypothesized that since the urban informal sector relied on the formal sector for its inputs and for its demand, and since there were no other avenues for employment absorption, the impact of ESAP would reinforce allocative inefficiency by increasing the number of participants in the urban informal sector at the same time that demand for informal sector products shrank, input costs increased and competition stiffened. Further, it was hypothesized that microeconomic efficiency, would, as a result, also decline as a consequence of the stagflationary impact of ESAP on the economy.

The study found that the impact of ESAP on the urban informal sector has been direct and indirect, frictional and structural, and both positive and negative in efficiency terms. ESAP fiscal measures by reducing expenditures on subsidies for social services, basic commodities and key inputs, and by instituting cost recovery measures, have resulted in increased pressures on urban households by reducing real incomes, thereby increasing the propensity of the desire to join the informal sector while simultaneously reducing demand. These developments have been reinforced by resulting increases in prices and the number of those retrenched. The shift in low income demand for informal sector products and services was found not to be strong enough to counteract the overall reduction in demand and the involutory impact of the fiscal measures in that lateral expansion and declining real incomes in the urban informal sector seemed to have been the overall consequence.

The monetary impact of ESAP, up to the time of the survey, had been inflationary, as a combined consequence of monetary expansion, price decontrol, subsidy reductions, and exchange rate devaluation. The findings suggest that the inflationary trend has reinforced the consequences of the fiscal measures. In addition, however, since the urban informal sector has continued to rely on formal sector inputs, the prices of its inputs have tended to increase at the same time that competition has increased and demand has fallen. The liberalization of the trade regime and the devaluation of the Zimbabwean currency have increased the relative availability of fixed inputs while failing to ameliorate the relative unavailability of intermediate inputs. The urban informal sector has continued to be disadvantaged by a lack of access to foreign exchange, while the competition from the formal sector has sharpened as a consequence of trade liberalization. Further, since the formal sector is heavily import-dependent, and the informal sector heavily formal sector-dependent for its inputs, the devaluation of the currency has imparted a cost-push effect to informal sector production.

The study found that a major impact of ESAP has been its contractionary consequences on the formal sector 'real' economy by reducing employment, real incomes and output. The resulting effects of the contraction of the urban informal sector have far outweighed any salutary effects on this sector ESAP may have had. In effect, the contraction in the real economy has led to an increase in the number of participants, partly as a consequence of retrenchments, and partly as a consequence of the decline in household incomes which has necessitated formerly inactive household members to search for income opportunities in the informal sector. The decrease in formal sector employment, and thus the increase in potential entrants into the urban informal sector has been exacerbated by the liberalization of the labour market.

The pressure on some household members to join the urban informal sector has been precipitated by the decline in real household incomes and the retrenchment of bread-winners. The secular increases in the labour force and in school leavers have reinforced the foregoing trends. More specifically, low income recent retrenched, women and young family members have increased their participation in easy entry urban informal sector activities, prone to lateral expansion.

ESAP has also impacted on the participants directly. First there has been, as a consequence, an increase in competition among urban informal sector participants within each city, on each

marketing site, and for each activity. Among the easy entry activities the study found that participants have been compelled to work harder and to seek better locations nearer to the customer; and among the more complex activities, there seems to have been pressure to rationalize production and redesign products. Second, the findings suggest that real net income per enterprise may have declined, and more so if returns or productivity per hour were to be considered, since many participants have been forced to work more hours to generate the same level of income as they did before ESAP. The escalating cost of public and private transport was found to have the double effect of increasing input costs and increasing the need for new entrants to concentrate their activities in high demand areas thereby further saturating the number of participants in these locales.

In general, the study concludes that ESAP measures have reinforced overall allocative inefficiency in the economy first by failing to resuscitate growth in the formal sector, and second by exacerbating the lateral expansion and involutory growth of the urban informal sector. With regard to technical efficiency the study finds that ESAP measures may have resulted in inefficiency at the enterprise level as reflected in Low real monetary returns, increasing costs in the face of declining demand and increasing competition, low skill formation, static quality and design of products, and the undervaluation of labour and material inputs entailing self-exploitation and increased depreciation of human capital. The study nevertheless found that the ESAP environment has, willy-nilly, also resulted in pressures, albeit marginal, toward improving technical efficiency among some complex activities particularly in Gweru.

Among the latter activities there has been a marginal tendency toward an increasing rationalization of production and division of labour, an increasing tendency to rationalize on-the-job training and an increasing tendency to respond to fierce competition innovatively.

The study, nevertheless, also found that the urban informal sector continues to play an important distributional function as an income-generating safety net. This function however, is partly in form of a sharing of a shrinking aggregate urban informal sector income by an increasing number of participants whereby for high income and more complex activities with barriers to entry the average incomes of the participants although falling are still higher and preferred than those to be earned from low level formal sector occupations. The distributional safety-net function was also found partly to relate to the fact that the opportunity cost of engaging in easy entry informal sector activities, even if with low and declining real incomes, was seen by many would-be unemployed or underemployed participants to be low, at least in the short to medium term, although many such participants would prefer some of the more stable low level urban formal jobs. This latter safety-net distributional function is also reflected in the perceived social obligation to employ family members, relatives and children as workers which in part accounts for the post ESAP marginal increase in employment per enterprise for all activities taken together. The impact of ESAP, however, has been to expand the size of this latter group hence the involutory trend. It is clear, however, that this latter safety net function of the urban informal sector may not be distributionally, let alone allocatively efficient in the long term because of its consequent negative social effects on the concerned individuals and their households.

The study found that government regulations have not been seen by urban informal sector participants to be a particularly constraining factor in both the pre- and post-ESAP periods. The study found that, on the whole, urban informal sector participants abided by whatever regulations existed and if found unpalatable, avoided them by changing locations. Nevertheless, it appears, from the findings, that the general post-ESAP clamour for removal of constraining regulations or for the relaxation of their enforcement may have encouraged the lateral expansion of easy-entry informal sector activities into new locales previously deemed unapproved or illegal.

The findings of the study suggest that a strategy for promoting the urban informal sector has to be formulated in the context of a larger strategy addressing the formal and rural sectors as well in a manner that seeks to enhance allocative efficiency in the utilization and allocation of capital, labour and raw materials across the economy as a whole. It is suggested that in this respect policy makers and advocates of the urban informal sector have to be wary of 'romanticist' or 'welfarist' rationalizations for promoting the sector *in situ* since this might merely reinforce allocative inefficiency. It is also noted, finally, that the study, although suggestive, may have underscored first, the need for comprehensive approaches to studying and analysing the informal sector that take into account both macroeconomic and microeconomic factors and their interlinkages; and second, the need to disaggregate the urban informal sector by sub-sector of activities and by locales. In this latter respect the study finds that the more promising complex activities with barriers to entry desperately need

policy interventions that impart to them the capability to rationalize production and marketing and to innovatively adapt and react to competition by changing production methods and redesigning products and services. The imparting of static, inflexible skills to such participants is likely to be self defeating in the long run.

The major limitations of the study relate to the non-randomness of the sampling methodology utilized which obviates extrapolation of findings to the larger population of urban informal sector activities and its predominant reliance on qualitative responses of the pre- and post-ESAP situations based on the memories of the respondents without being collaborated by quantitative data, which the study found difficult to collect in a meaningful way. It is hoped, nevertheless, that the findings and approach of the study reinforce the need for a more critical and qualified support for the urban informal sector and for more innovative approaches to rationalizing the desirability of its promotion on the basis of the criteria of allocative, technical and distributive efficiency.

# **The impact of structural adjustment on the urban informal sector in Zimbabwe**

## **1. Introduction**

In Zimbabwe, as in many other developing countries today, the adoption of structural adjustment programmes (SAPs) is a result of the recognition that the formal sector is afflicted with economic distortions and biases that militate against economic efficiency and economic growth. The expectation has been that SAPs, together with their associated stabilization conditionalities, will restore economic efficiency and resuscitate economic growth in the formal sector by creating an enabling environment for market forces, export promotion and foreign investment, and by realigning structural relations in favour of productive activities and tradeables. The rationale and policy thrust for SAPs have been based on the assumption of the formal sector as the prime mover of the economy so that the implications of structural adjustment programmes for the urban informal sector have not been adequately addressed on both the theoretical and policy levels.

The marginal attention given to the urban informal sector in the design and implementation of structural adjustment programmes, while understandable from the historical bias of economics as a discipline, is rather unfortunate from the point of view of policy since this sector is the second largest employer of the labour force (after the communal sector) in many developing countries, particularly in Africa. Now the role and status of the urban informal sector are intimately related to the structure and performance of the formal sector, so that not only have the biases and distortions of the latter (the formal sector) had an impact on the former (the informal sector) but so will the restructuring of the latter (the formal sector) as a consequence of SAPs also impact on the former (the informal sector). It is generally to be accepted that the economic stagnation that has been underpinned by the structural distortions and policy biases of the past decade and a half in Africa has bequeathed an involuntarily role and status to the urban informal sector, plaguing it with underemployment and low incomes due to a tendency toward lateral expansion in the face of increasing population, urban migration and labour force participation.

With the adoption of SAPs, the expectation is that the resumption of formal sector growth consequent upon economic restructuring will, by providing increased employment opportunities in the formal sector, trim the informal sector to its minimum efficient size in the medium to long term. This expectation, however, may be more a matter of faith in the efficiency of the market mechanism than a conviction based on economic realities in developing countries. In this latter respect, the areas of ignorance relate to the fact that the efficient and inefficient aspects of the urban informal sector in a particular country context are generally unknown, and that the structural realignments likely to occur as a consequence of formal sector structural change induced by SAPs are also unknown. Further, it is not clear whether the anticipated realignment toward greater efficiency of the relationship between the formal and informal sector, and within the informal sector itself can be achieved merely by the establishment of an appropriate enabling environment along the lines of SAPs, or whether such realignment requires specific government interventions, some of which may contradict the laissez faire thrust of SAPs.

The urban informal sector in Zimbabwe has historically been relatively small both in terms of size and in terms of its role and status in the economy, especially when compared to its role and status in Western Africa, for instance. In Zimbabwe, the urban informal sector consists of establishments that primarily entail self-employment with an additional one or two helpers who are often family members. At independence in 1980, the urban informal sector absorbed about 10 per cent of the labour force. However, with the post-independence growth in the labour force and in the face of a stagnating formal sector it has been estimated that the urban informal sector currently absorbs about 25 per cent of the labour force.

Nevertheless, while the urban informal sector has continued to play an important role in cushioning poverty, given the plight of the formal sector, its overall contribution to productive employment and dynamic growth in the economy has been marginal.

The role and status of the urban informal sector in Zimbabwe are a direct consequence of first, the colonial legacy, second the post-independence 'socialist' bias in economic policy, and third the secular recession that prevailed from the mid-1980s to the present. During the colonial period the apartheid-type regulation of economic activity and labour flows had the effect of impeding the growth of unregulated small scale activities in urban areas. Indeed, for a greater part of the colonial period such activities were outrightly outlawed and vigilantly suppressed, partly to ensure the controlled

dependency of African labour on formal sector wage employment in the mines and on farms, and partly to ensure the dominance of settler controlled formal sector firms in the provision of wage foods. Thus the colonial legacy was such that the urban economy lacked medium and small scale enterprises common to many Third World cities, and if and when such enterprises existed they were primarily in peri-urban areas or were undertaken as illegal activities.

Nevertheless, as settler domination waned in the 1970s the apartheid-type regulations began to be relaxed so that by the time independence was attained in 1980 numerous urban informal sector activities had emerged. The post-independence elimination or relaxation of the restrictive regulations gave a further boost to their growth. This trend was further reinforced by the increased migration to urban areas and the increased, labour force participation. However, while the new government's attitude towards the urban informal sector was permissive, its initial inclination based on its 'socialist' predisposition, was one of ambivalence. In its early years, the new government insisted on emphasizing the formal sector as the driving force of the economy and indeed even chastised the urban informal sector as a breeding ground for 'capitalism'. The urban informal sector nevertheless continued to grow in spite of the ambivalence of the government which only began to change toward the middle of the first decade of independence, when the first study of the informal sector was undertaken under the auspices of the government and with the support of the ILO.

The continued growth of the urban informal sector was further propelled by the secular economic stagnation that has afflicted the formal sector during the latter half of the 1980s up to the present. The Zimbabwean economy experienced a short lived boom immediately after independence with GDP growth averaging 3.8 per cent between 1980 and 1983. Much of the increase was a consequence of the re-entry of the economy into the international trade system following the 'larger' inward orientation it had been subjected to as a consequence of the Unilateral Declaration of Independence and the accompanying economic sanctions imposed on the country by the international community. The main areas of economic resuscitation related to increased capacity utilization in industry and the revival of small scale agriculture. However, the impact of the revival on employment in the private sector was marginal, although public sector employment increased substantially as a result of the government's welfare commitments to redress past inequalities. Thus formal sector employment increased by about 1 per cent (10,000 persons) per year when there were about 100,000 new additions to the labour force per year and more than 100,000 school leavers per year seeking employment.

The 1986/87 Labour Force Survey estimated the labour force at 4.3 million with an employment rate of 71 per cent. The survey found that the proportion of the labour force in paid employment had decreased from 47.4 per cent in 1982 (based on the Population Census) to 37.9 per cent and that by the same token the proportion engaged in communal farming had increased from 42 to 60 per cent and that in the informal sector from 10 to 20 per cent in the same period. The most recent survey of micro and small scale enterprises estimated that about 27 per cent of the labour force is engaged in informal sector activities in urban and rural areas. Thus currently, the informal sector accounts for almost as much employment as the formal sector, if not more. (GEMINI p. 7).

On the eve of economic reform in 1990 the structure of the urban informal sector was such that in its heterogeneity it reflected not only the repressive colonial legacy of the pre-independence era, but such that it reflected the consequences of the inward-looking socialist policy thrust of the government after independence. Thus the structural distortions and biases that obtained in the formal sector as a consequence of an adverse policy environment exacerbated by regional instability, persistent drought, declining terms of trade and foreign exchange shortages may be expected to have had a direct bearing on the structure of the urban informal sector. In this respect, the urban informal sector consisted of an induced and an autonomous aspect, with the former becoming increasingly predominant as the recession wore on.

In Zimbabwe as in many developing countries with ailing economies, induced urban informal sector activities have proliferated with the intensification and persistence of economic crisis. Such activities may seem productive from the point of view of narrow technical efficiency considerations but may represent allocative inefficiency on the macro-economic level. In addition, the overall tendency for the lateral expansion of the urban informal sector may represent an induced trend reflecting distributive inefficiency.

In Zimbabwe then, two issues arise with respect to the urban informal sector. First, the secular trend toward the lateral expansion of the sector as a consequence of the malfunctioning of the formal sector may be symptomatic of allocative inefficiency even if some individual activities within the sector may be technically efficient. In this respect, a restructuring of the economy would have to entail the

relative trimming down of the urban informal sector as the formal sector expanded and became more efficient. Second, within the sector itself, the structure of activities may be symptomatic of the distortions and biases constraining growth in the formal sector, and as such a restructuring toward greater allocative efficiency would have to entail a change in the structure of activities within the urban informal sector itself as well.

### **1.1 Method**

This study analyses the impact of the Economic Structural Adjustment programme (ESAP, formally inaugurated in 1990) on the urban informal sector in Zimbabwe. In this respect, the study addresses the impact of ESAP on a sub-population of what some have labelled non-farm microenterprises, which exist in both urban and rural areas, thereby making the urban informal sector the target population. Within this target population, the survey population was chosen so as to consist of urban informal sector activities operating in the three main cities of Harare (the capital and largest commercial city located in the north of the country) Bulawayo (the second largest commercial city, located in the south of the country) and Gweru (the third largest city and an industrial centre located in the centre of the country). The three cities together account for more than 75 per cent of the urban population.

Within the three cities, attempts were made to capture activities in the following areas:

- (a) the high density (low income) suburbs;
- (b) the low density (high income) suburbs;
- (c) the peri-urban low income suburbs;
- (d) the central business district;
- (e) the industrial areas.

The survey relied on 'convenience' sampling on the basis of the accessibility and willingness of the interviewees without any intention to achieve randomness or statistical representativeness. Thus strictly, speaking the findings of this study have a bearing and relevance circumscribed to the sample and at the most, to the survey population consisting of informal sector operators in the three cities. Some generalizations or inferences pertaining to the target population are, however, thought possible since the survey population accounts for a very high percentage of the target population. And second, since non-probability methods of sampling and interviewing were utilized little indication may be given as to the error bounds or biases of the results, hence no definitive statements may be made about the degree of reliability of, or the degree of confidence we may place on the results.

In order to capture various ways in which the consequences of ESAP measures on the urban informal sector might be transmitted it was deemed necessary to undertake several other surveys other than those related to the primary area of focus which is the urban informal sector participants themselves. Accordingly, altogether the following survey instruments were designed and utilized:

Survey instruments:

- (a) the Enterprise Questionnaire with supplementary questionnaires concerning (i) Enterprise Owner Household Characteristics and (ii) Enterprise Worker Household characteristics;
- (b) the Household Demand Questionnaire;
- (c) the Purchaser Demand Questionnaire;
- (d) the Industry Demand Questionnaire; and
- (e) the Retrenchee Questionnaire.

All the survey instruments were deployed on the basis of convenience sampling and the willingness of the respondents to cooperate. With regard to the Enterprise Questionnaire the aim was to cover a wide range of activities in a manner that ensured the inclusion of the less ubiquitous and more complex activities. In addition the Enterprise Questionnaire was administered to informal sector participants operating away from the household, which may have precluded a number of activities since the GEMINI study of 1991 suggested that the majority of the microenterprises operate from within the household. Now, while an initial total target enterprise sample of about 800 had been selected in a 3:2:1 ratio among the cities of Harare, Bulawayo and Gweru the eventual valid sample totalled 525 enterprises distributed as follows: Harare (236), Bulawayo (157) and Gweru (132).

The rest of the survey instruments were administered as follows. The Purchaser Demand Questionnaire was administered on the spot to whoever was accessible and willing in the vicinity of the urban informal sector enterprises that seemed to be an actual or potential purchaser of a product or service. The administration of this questionnaire thus corresponded to that of the Enterprise Questionnaire in that it covered all the areas mentioned above in each city. The Household Demand Questionnaire was administered in high and low density suburbs by a house to house procedure. The Industry Demand Questionnaire was administered among mainly wholesale and retail formal sector

establishments. And finally the Retrenchee Questionnaire was administered to recent retrenched that had joined the informal sector.

The surveys were undertaken over a period of two weeks by resident teams of interviewers of about 20 in each city who were all recent graduates of the University of Zimbabwe and fluent in local languages. A University of Zimbabwe lecturer and two post-graduate research fellows from the University assisted invaluable in the design of the questionnaire, supervising and monitoring the fieldwork and in processing the data.

Finally, in addition to the methodological limitations indicated earlier, the following may be mentioned as well. First, the survey mainly solicited qualitative responses as opposed to quantitative responses on the respondents' perceptions of pre and post ESAP effects. Not only did such a procedure rely on the respondents' memories and attitudes which are highly malleable and influenced by popular generalizations, but it also relied on their interpretation of the demarcating line between pre and post ESAP periods. Second, a number of hypothetical questions were posed to solicit anticipated future responses to ESAP measures. Third, and perhaps more significantly, is the fact that the acronym ESAP has now been adopted as a popular verb indicating suffering so that there might have been a determined attempt by respondents to exaggerate the negative effects of the post ESAP period. Nevertheless, as will be seen from the findings, the fact that there are remarkable differences in responses to some questions by city, sex, locale, age and activity suggests that the responses may not have had common attitudinal biases or flaws.

## **2. Conceptual and analytical approach**

Given the ambiguities prevalent in the analysis and discussion of the notions of the 'urban informal sector' (UIS) and 'structural adjustment programmes' (SAPs) it is important, first that the manner in which these concepts are understood and utilized in this study be clarified at the outset. Second, given the conflicting rationales that have been resorted to by different constituencies for promoting the UIS it is important, from the point of view of economic analysis, that the criteria for their assessment be explicitly advanced as well. This section thus begins with a discussion of the definition of the UIS, followed by an identification of the criteria for its analysis and assessment in terms of economic efficiency, and ends with a discussion of the manner in which the SAPs will be understood and their impact analysed.

### **2.1 Conceptualizing the urban informal sector**

Unlike the notions of the monopolistic, oligopolistic and competitive firm or market, the concept of the informal sector or enterprise lacks a similar compelling deductive theoretical grounding, while it shares the empirical imprecision of the former notions. We know the UIS when we see it, but its conceptualization for economic analysis and policy purposes has had a number of pit-falls. A generally accepted definition of the UIS is that provided by the ILO which defines the 'informal sector' as follows:

The term "informal sector" .... will refer to very small scale units producing and distributing goods and services, and consisting largely of independent, self-employed producers in urban areas of developing countries, some of whom also employ family labour and/or a few hired workers or apprentices; which operate with very little capital, or none at all; which utilize a low level of technology and skills; which therefore operate at a low level of productivity; and which generally provide very low irregular incomes and highly unstable employment to those who work in it.

They are informal in the sense that they are for the most part unregulated and unrecorded in official statistics; they tend to have little or no access to organized markets, to credit institutions, to formal education and training institutions or to many public services and amenities; they are not recognized, supported or regulated by the government; they are often compelled by circumstances to operate outside the framework of the law, and even where they are registered and respect certain aspects of the law they are almost invariably beyond the pale of social protection, labour legislation and protective measures at the work place. Informal sector producers and workers are generally unorganized .... and in most cases beyond the scope of action of trade unions and employers' organizations ... [And] ... they generally live and work in appalling, often dangerous and unhealthy conditions, even without basic sanitary facilities, in the shanty towns of urban areas. [ILO, *Dilemma...*, 1991]

The foregoing graphic characterization of the UIS acutely portrays the phenomenon as it is manifested in developing countries in general, and in Zimbabwe in particular. Indeed, the foregoing

definition of the UIS is quite acceptable on positivistic grounds. The problem, however, arises when the definition is placed in a normative policy context. First, the above definition of the UIS is replete with negative connotations pertaining to the marginality and vulnerability of its participants and the prevalence of various economic deficiencies characteristic of underemployment. This negative characterization is reinforced by the recognition that:

The persistence of the informal sector is due to the inability of the other sectors of the economy - agriculture or other rural activities on the one hand, and modern industry and services on the other - to provide adequate incomes or employment to a rapidly growing labour force. [ILO, *Dilemma...*, 1991]

Thus the immediate implications of the foregoing are that the UIS is a residual sector, and employer of last resort, which is relatively inefficient and afflicted with various inadequacies and deficiencies. The question that arises in this respect relates to the meaning and implications of attempting to promote the sector as a whole on economic efficiency within the sector, if it is trapped between a stagnant or slowly growing modern sector and a deteriorating traditionally rural economy. At the risk of oversimplification, it may be suggested that the rationale for the need to promote the informal sector has been based on any of the following beliefs: a *developmentalist* belief that the informal sector could play a transformational role similar to that which petty capitalism played in the industrialization of the western developed countries; a *romanticist* belief in 'small is beautiful' based on an appreciation of the ingenuity and adaptability of informal sector participants in being able to produce goods and services under adverse conditions relying on labour intensive methods and indigenous resources; and a *welfarist* belief in the informal sector's role in acting as a safety net for the destitute by providing alternative employment opportunities for surplus labour from the formal and communal agriculture sectors in the face of economic stagnation, crises or slow economic growth.

Now, in spite of the many studies, projects and supportive policies by governments, non-governmental organizations and international aid agencies, the informal sector, as an aggregate phenomenon, has not demonstrated qualitative change internally or in its contribution to economic growth and development in any of the Southern African countries or for that matter, in many developing countries. While it is recognized that policy interventions have had demonstrable success stories pertaining to select activities in particular locales, the general tendency has been for the informal sector to grow by lateral involution as a poverty phenomenon characterized by low incomes and under-employment. The informal sector has continued to grow as a malaise, symptomatic of fundamental distortions in the functioning of the economies of developing countries, let alone the Southern Africa sub-region.

Policies toward the informal sector, therefore, need to be informed by an appreciation of its status and role in the economy. First, as noted by the ILO, the evidence strongly suggests that the growth of the informal sector is a consequence of structural factors related to the inability of the economies to generate productive employment opportunities in the formal sector, coupled with increasing labour force growth caused by increasing population. Second, the informal sector itself consists of two segments, a viable core of efficient productive activities, and a superfluous appendage of unproductive or redundant activities. The foregoing two aspects of the status and role of the informal sector in the economy are interrelated in that the persistence of the economic and demographic factors limiting employment growth in the formal sector necessarily results in the lateral expansion of both productive and unproductive or redundant informal sector activities. By the same token, a resolution of the negative structural factors, by resuscitating formal sector economic growth and employment absorption, results in the diminution of the redundant unproductive and potentially productive informal sector activities and the resilient growth of its productive core.

In view of the foregoing, it is clear that the *developmentalist* and *romanticist* rationales for promoting the informal sector grossly underestimate the tenacity of the structural factors limiting the efficient growth of the informal sector, and ignore the ubiquity of unproductive activities in the informal sector; and that the *welfarist* rationale by promoting the UIS *in situ*, reduces to a defeatist strategy that succumbs to the overwhelming nature of the structural constraints to transforming the formal economy toward a dynamic path of economic growth and development. Policy directed at the informal sector in Southern Africa needs to be informed by an understanding of the informal sector's microeconomic structure and its status in the macroeconomic structure.

From an economic point of view, it might be contended that, the informal sector should be promoted on the basis of dynamic efficiency considerations. In this respect, two types of informal sector activities may be promoted: one group consists of activities that have an actual or potential dynamic or static comparative advantage relative to formal sector enterprises arising from such

considerations as provision of goods and services at lower cost due to proximity to customers, uniqueness of product or service, or advantages of small scale; another consists of activities for which an 'infant industry' argument for support can be made in the hope that the activities will grow into larger formal sector activities at a later date. For the economy as a whole, it has to be shown that the long-term economic returns arising from tying up private labour and capital and supportive public resources in such activities are higher than the returns to be obtained from deploying them in formal sector activities, or formalizing the non-formal activities themselves. Currently, in many developing countries, not only are the informal sector activities with efficiency advantages a small proportion, but their growth is increasingly constrained by structural factors, and depressed by ease of entry, which results in lateral expansion and involution, thereby depressing average returns per enterprise. This involution also increases the rate of depreciation of human capital through self and family labour overexertion and exploitation in an attempt to sustain viable survival incomes with long term negative social and economic consequences for the participants and the economy as a whole.

The import of the foregoing is that while the positive definition and characterization of the informal sector given above may be accepted for analytical purposes, it is necessary for normative or policy purposes to subject the behavioural manifestations of the UIS in any given historical or country circumstances to some normative criteria of economic efficiency. It may be noted here that in Zimbabwe, as in much of Southern Africa, the empirical identification of the UIS poses less of a problem since the urban economies are commonly dichotomous with dominant large scale formal sector enterprises co-existing with numerous small scale activities of less than 5 employees that correspond to the description of the UIS given above. There is generally a missing middle of medium scale activities which would result in a continuum of activities from small to large scale enterprises. Thus in these countries, the issue pertaining to the UIS is not so much how it has to be defined or identified, but how it has to be analysed to inform government policy.

## **2.2 Analytical criteria**

Proceeding from the assumption that the interest in understanding the nature of the urban informal sector, and the impact of structural adjustment programmes on it, is based on the need to promote economic growth and economic development in a developing country such as Zimbabwe in a manner that ensures the maximization of static and dynamic efficiency in the use of all available resources, three interrelated analytical concepts may be advanced for assessing the role and status of the UIS. These concepts are, namely, *allocative efficiency*, *technical efficiency* and *distributive efficiency*, each of which is briefly explained below.

### *2.2.1 Allocative (or macroeconomic) efficiency*

This criterion may be used to assess the degree to which capital, labour, and other resources are optimally allocated among various activities across the economy as a whole. The concept may relate to static and dynamic efficiency both in the short to medium term and in the long run. The concept thus relates to the macroeconomy and, in terms of static *Pareto Optimality* would suggest that allocative efficiency would have been maximized when any change in an existing allocation would lower economic efficiency, and similarly a move toward improved allocative efficiency would be implied by a change in the existing allocation of resources that enhanced efficiency in terms of aggregate output and incomes.

### *2.2.2 Technical (or microeconomic) efficiency*

For purposes of this study this criterion will be used to assess the degree to which resources such as labour, capital and intermediate inputs are efficiently utilized at the enterprise level, and, in the present case, within a given informal sector unit. Efficiency in this respect will be taken to refer to the maximization of productivity and monetary returns by UIS participants. Again, optimality in this respect would have been achieved when any change in the combination and utilization of resources would lower productivity or returns. And by the same token, the enhancement of productivity and monetary returns per unit or participant would be a move toward the optimal use of resources in a microeconomic or technical sense. Such technical efficiency may be actual or potential.

### *2.2.3 Distributive efficiency*

This criterion is traditionally more ambiguous and will be taken to refer to the need to enhance equity in absolute or relative terms. With regard to the UIS, such equity considerations may be assessed on the basis of net returns, incomes and wages prevailing in the sector relative to an absolute norm such as the Poverty Datum Line, or relative to minimum wages in the formal sector.

It is proposed therefore to analyse the impact of structural adjustment measures on the urban informal sector in Zimbabwe in reference to the foregoing criteria. It may be noted that the foregoing criteria have different implications for policy apart from the fact that they also have well known

implied trade-offs between them. Thus, for purposes of this study, the primary aim is to assess the impact of structural adjustment measures on the urban informal sector with regard to allocative, technical and distributive efficiency. The second aim is to derive policy implications and recommendations arising from the findings. It may be noted with respect to the latter that, on the one hand, a *developmentalist* policy orientation would tend to focus government policy on enhancing allocative and technical efficiency. In this regard distributive interventions would be designed to enhance both allocative and technical efficiency. On the other hand, what has been labelled the *romanticist* or *welfarist* views would tend to advocate government intervention on the basis of distributive goals.

Admittedly, the inability to distinguish between the three efficiency criteria indicated above has confounded policy discussion and analysis of the UIS. Indeed, in many cases, it has not even been clear on what efficiency criterion or basis certain policies related to the UIS have been implemented in many developing countries. The three efficiency criteria suggest the need to be aware of the following, for policy purposes: first, that the promotion of the UIS has to be undertaken in full cognisance of its macroeconomic role and status; second, that some distributive policy interventions may undermine the ability of the sector to attain allocative and technical efficiency; and third, that the ideal policy may imply the need to formulate measures that work toward the attainment of all three efficiency criteria in the long term. Indeed this last mode of policy intervention would seem to be the relevant one for a developing country with unrealized economic potential.

### **2.3 Analysing the impact of structural adjustment programmes**

In light of the foregoing efficiency criteria it may be expected that structural adjustment programmes (SAPs), in which, for our purposes, stabilization measures will be subsumed, are by design and intent aimed at influencing allocative, technical and distributive efficiency<sup>1</sup>. Indeed, SAPs have been predicated on the assumption that a country undertaking them is experiencing structural distortions and inefficiencies that militate against sustainable economic growth and that the resulting economic crisis is underpinned by allocative, technical, and, perhaps distributive inefficiencies. The major distortions and inefficiencies are seen to be a consequence of interventionist inward-looking policies, and an overextended interventionist public sector both of which frustrate and distort the allocative roles of both domestic and world markets. SAPs, by trimming the public sector, liberalizing and deregulating domestic markets and trade regimes, and stabilizing monetary regimes are expected to create an enabling environment for stimulating allocative and technical efficiency and thereby resuscitating economic growth in the economy as a whole.

SAPs have so far been predicated on the superiority of laissez faire market forces in effecting allocative and technical efficiency and resuscitating economic growth. The role of government has generally been limited to facilitative or ameliorative interventions. Now since SAPs are aimed at reordering the use of resources in the economy by allowing inefficient activities to decline and efficient ones to emerge or grow they have both negative and positive microeconomic and macroeconomic consequences on an economy. Further, such consequences may be frictional in that they are short to medium term or structural in that they relate to long term changes in economic structure and performance both in the macro and micro economic levels. In other words SAPs may have negative and positive consequence on the three efficiency criteria and these consequences may be frictional or structural. Advocates of SAPs would contend that the negative and frictional consequences of SAPs would only obtain in the short to medium term and would be overrun by the long term positive structural consequences. Indeed these positive structural consequences are expected to also necessitate a revamping of the role and status of the UIS from a residual sector or an economic malaise into a dynamic sector fully and efficiently integrated into the economy.

Thus, for purposes of analysing the impact of SAPs on the UIS it is necessary first, to attempt to distinguish their frictional and structural consequences on the latter and as to where they imply negative or positive consequences for allocative, technical and distributive efficiency. Second, given the inter-relatedness between the formal and urban informal sectors, it is important to capture the various ways in which the impact of SAPs on the UIS may be transmitted. In this respect the major direct and indirect ways the impact may be transmitted are as follows: (i) through the impact of SAP measures on the relative prices of final goods and services, intermediate inputs, equipment and tools and labour; (ii) through their impact on the well-being of households which in turn may influence the

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<sup>1</sup> For the author's reservations about the sufficiency of SAP measures to resuscitate growth and effect development see Mhone "Beyond structural adjustment: The need for a Dirigist State", *Southern Africa Political and Economic Monthly*, February, vol. 6, no. 5.

supply of informal sector participants, the supply and demand for UIS loanable funds and the demand for UIS goods and services; (iii) through the behaviour of formal sector businesses which may influence their demand for UIS goods and services, their supply of intermediate inputs to the UIS and their relative ability to compete with UIS activities through cost reduction measures or substitution of products.

Thus, in order to analyse the impact of SAPs on the UIS it is necessary, first, to distinguish between their frictional and structural consequences on the latter, and, in the process also determine whether the resulting consequences have negative or positive implications for static and dynamic allocative efficiency, technical efficiency and distributive efficiency gains. Second, it is essential to capture the various direct and indirect ways in which the impact of SAPs may be transmitted. In this respect it may be noted that the initial impact of SAPs is on (i) monetary; (ii) fiscal; and (iii) market relationships and indicators. The monetary impact relates to the consequences of SAP measures on interest rates, price levels, exchange rates and the availability of loanable funds. The fiscal impact relates to the consequences of SAP measures for government revenues and tax structures and for government expenditure patterns. And the consequences of SAPs for market relationships related to changes in relative prices, and their free determination by liberalized markets, the mobility of factors of production and distribution of goods and services, market structure, and so on.

Now, with regard to the urban informal sector, all of the foregoing may impact on it directly or indirectly. On the one hand, the direct impact will be experienced by the urban informal sector participant at the enterprise level in the form of changes in prices and availability of inputs, changes in the degree of competition within the specific activity grouping, changes in the 'price' and availability of loanable funds, changes in demand for the particular product or service produced and changes in government regulations. The indirect impact, on the other hand, may be transmitted to the UIS participants and enterprises, first via a more complex route related to changes in the participants' urban or rural household income, which, in turn may influence the availability of household savings for UIS activities, or which, by influencing changes in the household's real consumption, may also influence the desirability or non-desirability of participating in the informal sector on the part of existing or potential participants in the household. Second, the indirect impact may be transmitted through changes in household and formal sector business demand for UIS goods and services. Third, it may be transmitted through the down-grading or up-grading of formal sector enterprises, which, in case of the former, may increase competition between formal and informal activities as the formal sector encroaches on the sphere of production and market of the urban informal sector; and which, in case of the latter, (up-grading) may open up more production and market opportunities for the urban informal sector by widening the sphere and range of flexible specialization. Fourth, it may be transmitted through changes in export demand for UIS products. And, lastly, the indirect impact may be transmitted through changes in government social expenditures on education, health and infrastructure which may affect the UIS participant's access to education and training, health services, and amenities such as production facilities and space, and transportation services.

In summary, then, it may be stated that the impact of structural adjustment measures on the urban informal sector in Zimbabwe will be analysed with respect to the criteria of allocative efficiency, technical efficiency and distributive efficiency. In undertaking the analysis, an attempt will be made to decipher the direct and indirect impact of SAPs on the UIS in terms of their frictional and structural consequences, and their positive or negative implications for static and dynamic efficiency as suggested by the criteria of allocative, technical and distributive efficiency. The next section gives a brief background of the Zimbabwe economy and its performance and the nature and characteristics of the UIS in Zimbabwe prior to the adoption and full implementation of SAPs.

### **3. The structural context and the nature of the urban informal sector prior to ESAP**

On the eve of the attainment of independence in 1980, the new majority government of Zimbabwe inherited a fairly advanced economy by African standards. The economy's development, like that of its southern neighbour, South Africa, had been uniquely influenced by settler racism and domination, and by inward-looking economic policies initially motivated by the desire of the settlers to be independent of the metropole in London, and later driven by a 'larger mentality' reflected in the settler's Unilateral Declaration of Independence (UDI) to the ostracism imposed by the international community on the deviant country that defied political reform. The former legacy of racist domination had facilitated the development of a formal sector dominated by primary production and mining based on the exploitation of cheap African labour and the expropriation of African land. The latter legacy, based on settler nationalism and isolationism, had resulted in the growth of a manufacturing and

service sector based on easy import substitution that, by independence in 1980, had exhausted its growth potential.

### **3.1 The colonial labour market legacy**

The Zimbabwean colonial socio-economic environment was a muted offspring of the apartheid South African social formation. Like that of its more robust ally in the south, the Rhodesian socio-economic formation was purposively and 'rationally' organized to guarantee the availability of cheap labour to the emerging formal market economy. Now although what different segments of settler (and international businesses) entrepreneurs perceived to be the ideal way of obtaining cheap African labour varied, the capitalist class was united in the need for the state to actively intervene in the economy and polity to ensure that such cheap labour would be forthcoming as a long term structural and secular phenomenon.

In general, the state as custodian of dominant settler interests, attempted to maintain an appropriate balance between three types of cheap labour availability, all of which had fundamental efficiency and equity implications for the labour market.

The first kind was represented by migrant labour, consisting of a predominantly male working class that circulated between the formal sector and the subsistence sector. This kind of labour was, in the early period, generally preferred by mining companies (which were dominated by multinational corporations) and large scale commercial farms (which were settler dominated). The second kind consisted of squatter labour in which not only the male head of the household but the woman and children as well were available as cheap labour. This paternalistic and semi-feudal utilization of labour, whose modified remnants still persist today, was characteristic of the less rationalized smaller farms and some of the large commercial farms. Then finally, in the later decades of colonial development, the growing manufacturing and industrial centres preferred a third kind of labour, that of a semi-permanent proletarian workforce. Now, since each form of labour fulfilled a crucial, somewhat segmented demand for labour from among the emerging and now dominant capitalist class, a myriad entanglement of structural, legal and spatial arrangements evolved to ensure the subjugation and exploitation of African labour. This whole structure was capped, further, by legal and structural arrangements designed to protect the interests of the white working class. The ensuing apartheid-type structural and legal features of cheap labour utilization and exploitation indelibly defined the economic and labour market relations inherited by post-independence Zimbabwe.

Apart from the more superficially obnoxious petty-apartheid legal stipulations, the more fundamental aspects of the cheap-labour structural model of the colonial economy and labour market continue to hold today in one modified form or another, and constitute a fundamental determinant of the weakness and vulnerability of labour in the economy, both socially and economically. The bastion of the cheap-labour policy was discrimination of which two types may be identified.

The first form consisted of what may be labelled primary discrimination which entailed coercive structures of discrimination in favour of utilizing indigenous African labour and foregoing migrant labour. Primary discrimination was the dominant basis for African labour utilization by the dominant capitalist class. The second form may be labelled secondary discrimination, and entailed occupational and wage discrimination motivated by the desire of the white working class to protect its monopoly over higher level occupations and incomes from the encroachments of an expanding and rising African elite.

The structures underpinning primary discrimination consisted of the alienation of land from the Africans and their concentration in communal lands; the limited and inequitable provision of economic infrastructure and social services like education and health; the control over the spatial mobility of African households and African labour. Secondary discrimination, however, was manifested in two artificially formalized inequalities. First, there was the inequality based on occupational barriers whereby Africans were relegated to unskilled and semi-skilled jobs, and were banned from skilled professional and technical jobs which were reserved for whites. Second there was wage discrimination whereby Africans and whites doing similar jobs were paid different wages or salaries. Both primary and secondary forms of discrimination were legally reinforced by a number of Acts such as the Land Apportionment Act (1930) and subsequent ancillary legislation, the Master and Servant Act, the Industrial Conciliation Act, the African Juvenile Employment Act, the African Labour Regulation Act and the Foreign Migratory Act. Industrial relations were paternalistic, and effective bargaining or industrial action by workers was limited, if not prohibited. In addition, macroeconomic policy was such that wages and prices were adroitly manipulated to ensure cheap labour availability and reproduction, and to harmonize the competing interests of various fractions of capital. The overall consequences of primary and secondary discrimination on the structure of the labour force were as follows:

1. The concentration of the majority of African in communal lands such that they were, in the course of time, increasingly overpopulated with all the negative consequences for labour productivity and environmental sustainability.
2. The relegation of communal lands as reproducers of cheap labour, and as repositories for spent labour from the formal sector primarily in urban areas.
3. The disproportionate presence of women and children in communal areas, and by the same token, the disproportionate presence of males in urban areas and mines with all the attendant negative social consequences.
4. The disproportionate concentration of Africans in low-skilled and semi-skilled jobs, and, by the same token, their under-representation in middle and upper level job categories with the attendant inequities in income.
5. The overexpansion of low paid service employment in which Africans were concentrated such as domestic work, catering, and security services.
6. The inherent constraints on labour mobility and human capital development imposed on the Africans as a consequence of their limited access to education and health.
7. The limited productivity of the Africans as a consequence of limited access to and provision of economic infrastructure and services, while those accruing to whites were ample and subsidized.
8. The limited development of rural non-farm and urban informal sector activities due to the many regulations that impeded their growth.

Thus the consequence of the colonial legacy for the labour market were such that African labour was acutely deprived of its asset and income entitlements. This deprivation was reinforced and exacerbated by increasing African population, increasing environmental degradation, and the inequitable provision of economic and social infrastructure. As the colonial period came to an end, the increased economic isolation of the Rhodesian economy as a consequence of international sanctions triggered an economic recession characterized by undercapacity utilization due to foreign exchange shortages and low demand, labour redundancy and a general shortage of consumer, intermediate, and capital goods. Thus, on the eve of Zimbabwean independence the economic system was characterized by allocative, technical and redistributive inefficiencies. Most fundamentally, the labour market underpinned the foregoing inefficiencies as reflected in the gross underemployment and social deprivation of African labour. The elimination of those very same inefficiencies was the motive force of the liberation war which culminated in the birth of the new majority ruled nation of Zimbabwe in 1980.

### **3.2 The labour market legacy in the Post-Independence `Socialist' Phase**

The new majority government of Zimbabwe began with a declared `socialist' ideological stance which ostensibly was aimed at transforming the inherited colonial legacy by promoting both economic efficiency and equity, thereby indicating its desire not to divorce social policy from economic policy. Unfortunately, for the new government, during almost a decade of `socialist' ideological posturing the government was unable to successfully promote economic growth, efficiency or equity together, and was indeed unable, not only to coherently articulate and apply its `socialist' intentions to create or mobilize a class basis for it as well. It should be admitted that some qualitative and quantitative gains were made in the provision of social services, but these gains were to prove unsustainable in the long term, having been primarily financed through government deficits.

Given its socialist orientation, the government was intent, from the beginning, to intervene in the economy both to influence the market and as a participant in the economy through parastatals. In this respect, the policy orientation of the new government represented continuity with that of the previous regime in that state intervention in the economy through state enterprises and the manipulation and regulation of trade, fiscal, monetary, price and wage regimes was dominant. There was, however, a striking difference between the kind of manipulation that was undertaken in the colonial period and that which was being undertaken in the post-independence period. Pre-independence colonial regimes saw the various economic policy instruments together with the social structure, as interdependent and mutually reinforcing, so that the total thrust of the policy interventions remained somewhat coherent, even if unsustainable in the long term. Indeed, the relative economic development that Rhodesia experienced during UDI can be attributed to the coherence of the state policy interventions.

Despite its declared `socialist' orientation, which would have been expected to entail comprehensive economic and social planning, the resulting interventions were primarily ad hoc, often mutually contradictory, and predominantly directed at attempting to rectify inherited social inequities. In macroeconomic policy, the new state continued to uphold the web of trade, fiscal, monetary and foreign exchange policy regimes promulgated during the Unilateral Declaration of Independence to

protect an import substitution industrialization strategy. The state also further refined the web of price controls and cross-subsidies aimed at protecting urban workers and subsidizing inputs to peasant farmers, expanding the role of various service parastatals in the process. Finally, the state expanded the provision of health, education and public sector services phenomenally.

The justificatory basis for new labour market policies was provided by the Riddell Commission Report on *Incomes, Prices and Conditions of Service* which was charged with making recommendations commensurate with the "need for a suitable system of employment, conditions of service and remuneration consistent with a free egalitarian society ...". Accordingly, the Riddell Commission interpreted its task as follows:

It sees its task as proposing policies which, given widespread poverty (where many people do not have access to basic human needs of adequate food, clothing, shelter, etc.) will help to alleviate that poverty and which, given wide disparities in access to health and income, will help to narrow the gaps and make society more equal while still recognizing that differentials need to be maintained in relation to skills and the relative contributions made to the economy. [Riddell Commission Report]

The major interventions in the labour market related to (a) the marked increase in minimum wages for low-skilled formal sector employees in the agricultural sector, domestic service and other similar workers in industry; (b) the stipulation of maximum increments especially for middle and upper level employees; (c) the severe restriction of the employer's ability to fire or retrench workers; (d) the severe restriction of the workers right to collective labour action; and (e) the institution of various levels of worker representation such as workers' committees and workers' councils in work places. The basis for collective bargaining and industrial relations was enshrined in the 1985 Labour Relations Act, which as the decade of the 1980's came to a close, did not have the support of either the employers or the workers, both of whom saw the prevailing industrial relations environment as permeated by an unnecessary paternalism of the state, if not, of the dominant political party.

The overall consequence of the various state interventions was that, while short to medium term gains in social welfare were made, long term economic growth and efficiency were compromised. Indeed, the resulting macroeconomic and microeconomic distortions were such that by the end of the decade, allocative, technical and redistributive efficiencies had been compromised. To be sure, the negative consequences of the domestic policies were exacerbated by external factors such as regional destabilization strategies emanating from South Africa, recurring droughts, cold war antipathies from the West which discouraged official and private foreign aid and investment, and disadvantageous terms of trade.

**Table 1. Population, labour force, formal employment and GDP (1980-1987)**

	1980	1981	1982	1983	1984	1985	1986	1987	Average growth rate (%)
Population	7 480	7 730	7 517	7 729	7 949	8 175	8 406	8 639	-
Pop. growth rate (%)	-	3.3	2.84	2.84	2.84	2.84	2.76	2.76	2.3
Labour force (incl. comm. farmers)	-	-	2 484	2 623	2 721	2 823	2 930	2 039	-
Labour force growth rate (%)	-	-	-	5.3	3.7	3.8	3.8	3.7	3.7
Formal employment	1 010	1 038	1 046	1 033	1 036	1 060	1 065	1 093	-
Formal employment growth rate (%)	2.5	2.8	0.8	-1.2	0.3	2.3	0.5	2.6	0.7
GDP growth rate (%) (1980 constant prices)	11.0	13.0	-1.2	-3.5	2.3	7.6	2.3	0.3	1.4

**Notes:** 1. Labour force figures exclude communal farmers.  
2. All data is in thousands except GDP which is in \$ million at 1980 prices.

**Source:** CSO, *Quarterly Digest of Statistics*, June, 1988; CSO, *Population Projections*, Medium Variant, Dec., 1985; CSO, *1982 Census, 10% Sample*.

Table 1 shows the trends in population, the labour force, employment and GDP between 1980 and 1987. It may be noted, first, that since the rate of population growth was greater than that of the of GDP growth, per capita incomes must have declined over the period. Second, it may also be notated that given stagnant GDP and increasing population and labour force participation underemployment in the non-formal sectors (urban and rural) and unemployment must have been increasing. During this period health expenditures had increased by more than 300 per cent, the number of village health workers by more than 2000 per cent, public assistance expenditures by about 200 per cent, the number of primary schools by about 200 per cent, and the number of secondary schools by about 10 times. And throughout this period the government budget was in deficit. By the end of the 1980's decade it was transparently clear to all that the Zimbabwean economic situation was unsustainable, as shown by the resource gaps in Table 2.

**Table 2. Analysis of resource gaps 1975-1986**  
(Percentage of GDP) (Z\$ million, current prices)

	Balance of trade	Net flow of foreign resource	Foreign resource gap	Public sector resource gap	Private sector resource gap	Changes in stocks	Domestic resource gap
	(1)	(2)	(3) (1+ 2)	(4)	(5)	(6)	(7) (4+ 5+ 6)
1975	-1.2	-3.4	-4.5	-3.1	2.3	3.7	-4.6
1976	4.0	-3.7	0.3	-4.0	3.4	-0.9	0.3
1977	2.4	0-2.8	-0.4	-5.1	6.6	1.9	-0.4
1978	3.6	-2.5	1.1	-9.5	8.0	-2.6	1.0
1979	-0.2	-2.5	-2.7	-8.2	4.1	-1.3	-2.8
1980	-3.0	-1.6	-4.6	-10.2	9.1	3.5	-4.6
1981	-7.5	-2.7	-10.2	-5.0	-0.7	4.5	-10.2
1982	-6.2	-4.5	-10.8	-11.5	2.0	1.3	-10.8
1983	-3.3	-4.3	-7.6	-8.5	-3.1	-4.0	-7.6
1984	0.6	-2.2	-1.6	-10.4	7.7	-1.1	-1.6
1985	1.2	-3.3	-2.2	-6.7		4.6	-2.2
1986	4.2	-4.8	0.2	5.0		4.8	0.2

**Source:** CSO, *National Income and Expenditure Report, 1987*, Harare (various tables).

### **3.3 The urban informal sector in Zimbabwe prior to ESAP: A review**

From the foregoing review of the economic legacy in Zimbabwe prior to ESAP it may be expected that the urban informal sector in Zimbabwe had evolved in a manner that reflected the colonial and post-independence economic distortions. The most important aspects of this legacy were the following. First the initial and general development of the urban informal sector can be expected to have been limited by the legacy of regulations and controls that restricted labour migration, squatting and vending in urban areas. Second, it may be expected that certain urban informal sector activities evolved as beneficiaries of the import substitution regime that prevailed. Third, the exhaustion of the import-substitution development possibilities and the maturing of the consequent distortions emanating from an inward-looking policy regime, by limiting formal sector employment growth may have led to the lateral expansion of the urban informal sector. Fourth, and last, the post-independence relaxation of colonial restrictions and the over expansion of social services particularly in urban areas may have further stimulated migration from rural to urban areas thereby expanding the potential pool of prospective urban informal sector participants.

A review of the structure and characteristics of the urban informal sector prior to ESAP is useful, first as a cross-check on survey responses pertaining to the ESAP period which were based on

recalling events that occurred two to three years prior. Second it is useful in order to derive more specific hypotheses as to the expected impact of ESAP on the urban informal sector rather than rely on general or a priori theoretical expectations alone.

### *3.3.1 Major characteristics*

On the basis of a definition of microenterprises that focused on small scale activities with 50 employees or less the GEMINI study of 1991 estimated that there were about 845,000 such enterprises in all of Zimbabwe. The typical among such enterprises was a one-person operation although overall average employment per enterprise was about 1.8 persons. This total figure of participants would imply that microenterprises were a major employer in the economy with about 27 per cent of the labour force involved. It will be recalled that the 1985/86 Labour Force Survey had estimated about 20 to 23 per cent of the labour force involved in such activities. The size of the enterprise was also confirmed by the ILO/SATEP study which found the owner-proprietor enterprise as the most typical while average employment per enterprise was about 2 persons. According to the GEMINI study 270,000 persons participated in such enterprises in urban areas in Zimbabwe.

In both urban and rural areas the microenterprises were dominated by females who primarily operated from the household. However, men tended to dominate in more complex and relatively larger activities. The majority of the participants claimed to be operating legally. Further, according to the GEMINI study, 70 per cent had at least one wage earner in the formal sector and about 42 per cent of the participants said that they depended on the microenterprise for more than 50 per cent of their household income. In the majority of cases the income from microenterprises was seen as supplementary. The average age of enterprises was 8.7 years according to the 1991 GEMINI study which may be compared to the average of 7 years according to the 1984 ILO/SATEP study. In both studies the majority of the urban informal activities emerged since independence and in this respect the GEMINI study found that 66 per cent of the activities were by 1991 four years old or less.

### *3.3.2 Owner characteristics*

Both the ILO/SATEP (1984) and the GEMINI (1991) studies found that the average age of the participants was between 37 and 38 years old with a household of about 6 to 7 members. With regard to their origins, in 1984 the ILO/SATEP study noted that "the findings suggest ... that the informal sector in Zimbabwe is not a transit camp for rural-urban migrants. The majority ... originate directly from the formal sector and only indirectly from the rural or subsistence sector" [ILO/SATEP, 1984, p. 52]. In both studies the majority of the participants indicated that they had either been employed in the formal sector or unemployed prior to going to the urban informal sector. The GEMINI study found that 60 per cent of the participants had completed primary school education or less. The ILO/SATEP (1984) study had found 54 per cent in that category. Both studies found that participants needed minimal start-up capital which was primarily mobilized through formal sector savings in previous employment or through family savings or borrowing from relatives. There was very little reliance on loans from formal savings institutions according to findings of both studies.

### *3.3.3 Main activities*

When household urban informal activities were included, as in the GEMINI study, the majority of the activities consisted of 'manufacturing' microenterprises carried out by women. These activities primarily consisted of knitting, crocheting and sewing. In market places or other locations outside of the household wholesale, retail and vending activities were found to be the most predominant. In general service activities tended to be numerous. Nevertheless, males dominated the more complex and relatively larger activities such as carpentry, metal work and construction. It is also interesting in this respect that the men claimed that their activities contributed more than 50 per cent of household incomes while most females generally claimed to be contributing supplementary income.

### *3.3.4 Employment*

The ILO/SATEP (1984) study found almost an equal number of workers and owners with the majority of the former being family members. The later GEMINI (1991) study found about 60 per cent owners and 40 per cent workers with women constituting about 57 per cent of the worker. While the male dominated complex activities tended to show some employment gains per enterprise, in general both studies concluded that employment generation was primarily through lateral expansion. Thus the ILO/SATEP study observed that "the little available evidence seems to confirm the view that the employment potential of the informal sector derives more from a lateral increase in number of firms rather than the growth in size of these firms" (ILO/SATEP 1984, p 42). Similarly, the GEMINI study noted in 1991 that "81 per cent of all Msis (microenterprises) in Zimbabwe either shrank or remained stagnant" while employment grew at greater than 6 per cent per year [GEMINI 1991, p. vii]. According to the latter study the greatest expansion was occurring in services and the least in textiles and wood products. Both studies found very little conscious training taking place while most participants indicated that their skills were learned on the job or transferred from the previous formal

sector employment. In other words the majority of the participants claimed to be self-trained. Both studies also reported that urban informal sector participants generally worked more than 8 hours per day for an average of about 6 or more days per week. Both studies had no reliable indicators of incomes or returns in the urban informal sector.

### *3.3.5 Production*

Both studies found that more than 80 per cent of the respondents said that the majority of the inputs they used originated from the formal sector. Many of the participants generally assumed that the inputs were locally made and produced. Neither one of the studies found any significant forward linkages from the urban informal sector to the formal sector. There was almost no subcontracting of work from the formal to the urban informal sector.

### *3.3.6 Demand*

The two studies both underscored the fact that the majority of the purchasers (in fact more than 90 per cent) of the goods and services from the urban informal sector were individuals from both high and low income areas. The 1984 ILO/SATEP study found that 61 per cent of the respondents indicated that competition was strong and that 90 per cent thought most of this competition was from similar enterprises. However neither study found lack of demand to be a major constraint. The ILO/SATEP study found lack of demand as the third most mentioned constraint after lack of credit and lack of space and facilities. The GEMINI study found that many respondents contended that overall demand and their own volume of sales had increased. The GEMINI findings were not disaggregated according to urban and rural areas.

### *3.3.7 Constraints*

The ILO/SATEP study found the major constraints faced by urban informal sector participants to be lack of credit or finance, inadequate space and amenities, and low demand in that order, to be the most important. The GEMINI study found lack of finance, demand, and raw materials to be the most import at the start of the businesses and at the time of the interview in 1991 unavailability of raw materials, lack of finance and low demand, in that order, were seen to be the major problems. Regulations were not considered a major constraint by the respondents in either of the studies: "the 1991 MSI survey found that at no time did more than 4 per cent of the proprietors feel that the primary constraint was the government or regulatory environment" [GEMINI, 1991, p. 27].

### *3.3.8 Perceived options*

The ILO/SATEP study found that while urban informal sector participants overwhelming by indicated that they had joined the informal sector by force of circumstances, the majority were reluctant to leave their present activities for alternative low income formal sector activities, unless at a wage that was significantly higher than the going wage. Hence the ILO/SATEP study observed as follows:

It may seem anomalous and perhaps contradictory that while a majority of the interviewees are compelled to join the informal sector for economic reasons related to the formal sector, once in the informal sector, they seem reluctant to leave ... The market preference for remaining in the informal sector may reflect a desire to avert risk. The seeming anomaly, then, may reflect the interviewees' perception of the inability of the formal sector to offer stable, secure, and attractive remuneration and employment. [ILO/SATEP, 1984, p. 23]

Nevertheless, as the GEMINI study observed:

in spite of their prevalence, about half of all SMES tend to be a supplement to household income rather than the main source of it. [GEMINI, 1991, p. 79]

In the urban informal sector the percentage that relied on this sector for supplementary income was found to be about 58 per cent.

### *3.3.9 Assessment*

The fact that the average age of enterprises remained the same at between 7 to 8.5 years between 1984 and 1991 suggests that there is a high degree of attrition, turnover or entry. Indeed both the ILO/SATEP and GEMINI studies attested to this trend. However, the ILO/SATEP attested to the strong preference of the participants to remain in the sector, and the GEMINI study identified a tendency for both volume of sales and employment to increase in the sector. Thus both studies, one in 1984 and the other in 1991, did not seem to suggest that the participants were dissatisfied with their participation in the sector. Indeed, both those who saw their participation as a primary, and those that saw it as a supplementary source of income tended to prefer their current activities.

It may be suggested here, therefore that prior to 1991 the urban informal sector was performing both a technically efficient and a distributive role in absorbing labour. Nevertheless, this role was occurring when the formal sector was beleaguered with a number of constraints and was not performing maximally or efficiently as shown earlier, so that it may be questioned whether the overall utilization of labour and the structure of activities were allocatively efficient. Several points are in order in this respect. First, a strong case can be made for the contention that a good proportion of the urban informal sector activities benefitted from the extensive price and distribution controls in the formal sector which generated a number of urban informal sector activities as a form of black marketeering. This was particularly the case for many sales activities. Second, a majority of the complex male dominated activities particularly in construction, carpentry and metal work benefitted from the import-substitution protection of the producers of their inputs, some of whom were subsidized or benefitted from controlled prices that were artificially low. And third, the common complaint about shortages of raw materials reflected the foreign exchange constraint in the import dependent industrial sector which was generally operating below capacity. In short, although somewhat resilient and preferred the urban informal sector, prior to ESAP functioned in and reflected an overall economic environment that manifested allocative inefficiency.

With the advent of ESAP, as the NORAD report has observed:

"The last three years have seen growing public interest and concern for the promotion of SMEs development in Zimbabwe. This coincides with the advent of economic reforms through ESAP, and concerns the growing hardships facing the poor, the unemployed and retrenched segments of the population." [NORAD, 1992, p. 9]

The NORAD report saw the advent of ESAP as leading to "improved equity in economic participation [which] is expected to drive economic efficiency and increase aggregate employment" [NORAD, 1992, p. 10] and microenterprises were seen as a panacea. Similarly another observer has noted that:

With structural adjustment taking place, including trade liberalization, a boom in small enterprises development will be witnessed, as larger firms will rationalize their operations, thereby creating opportunities for small business ventures. Sub-contracting is going to be the main stream of the nation's industry. [Quoted in Zwizwai, 1991, p. 7]

Zwizwai, has however called for caution noting that:

"Small-scale industries are a vulnerable sector that cannot be assumed to have a natural growth trajectory if their operating environment is relaxed. While such industries have a great potential for employment creation a well mapped out strategy for promoting their development is necessary. Otherwise the hopes and optimism attached to this sector are not going to materialize. [Zwizwai, 1991, p. 7]

There are, thus, conflicting expectations about the likely impact of ESAP on the urban informal sector. In the next section the main features of Zimbabwe's Economic Structural Adjustment Programme are reviewed and expectations and hypotheses as to its possible impact on the urban informal sector are derived for testing in a subsequent section.

#### **4. The economic structural adjustment programmes (ESAP)**

As the decade of the 1980s came to a close it was patently clear that the Zimbabwean economy was caught in a quagmire of stagnant real growth in GDP, increasing unemployment and underemployment, static formal sector employment, deteriorating fiscal and external balances, worsening terms of trade, lacklustre foreign investment and a shortage of foreign exchange. Thus, in 1990 the government made a drastic about-turn in economic policy by abandoning its proclaimed 'socialist' thrust and inaugurating an Economic Structural Adjustment Programme (ESAP) under the tutelage of the Bretton Wood Institutions, the World Bank and the International Monetary Fund. The formal announcement of ESAP was made in July 1990 in the form of an *Economic Policy Statement* jointly with the *Budget Statement*. Six months later, in January 1991, the Government released a more comprehensive statement of ESAP in *The Framework for Economic Reform: 1991-1995*.

##### **4.1 The programme**

The new measures encompassed both stabilization and structural adjustment measures which the government insisted were 'home-grown' and willingly adopted by force of the dire economic circumstances prevailing even if with the advice of the Bretton Wood Institutions. The major economic reforms proposed were the following:

#### *4.1.1 Fiscal policies*

The government committed itself to reducing the budget deficit from about 10.4 per cent of GDP in fiscal year 1990/91 to 5 per cent of GDP by fiscal year 1994/95. This was to be achieved through reductions in social expenditures and subsidies to parastatals, the institution of cost recovery measures for social services and the rationalization of the tax system by reducing the tax burden. In addition, the government committed itself to trimming and rationalizing the public service through retrenchments and allowing real incomes to fall over the reform period. Public enterprises would either be rationalized to operate on a commercial basis or be privatized.

#### *4.1.2 Monetary and financial reform*

Recognizing the acceleration in the rate of inflation and the deterioration in the balance of payments associated with the expansion of domestic credit and monetary aggregates, the government committed itself to reducing the rate of inflation from an average annual rate of about 15 per cent in the previous decade to an annual rate of 10 per cent by 1995. Controls on credit and interest rates would be liberalized to allow for them to be determined by the market.

#### *4.1.3 Trade liberalization*

The government committed itself to a phased process of liberalization by liberalizing the foreign exchange allocation system, expanding the commodities that could be imported under the Open General Import Licence (OGIL), reforming the tariff structure to only allow for modest protection if any, managed depreciation of the exchange rate and improved export incentives. By 1995, it was hoped that all items would be importable on OGIL (Open General Import License) and foreign exchange transactions would have been totally liberalized. The government proposed to increase the average customs duty from about 9 to 13 per cent while allowing the average nominal protection to fall from 19 to 14 per cent.

#### *4.1.4 Deregulation*

Noting that "the full benefits of foreign trade liberalization cannot be reaped in an environment constrained by extensive domestic controls over economic activity" the government committed itself to removing controls over prices, distribution, employment, wages and "other rules and guidelines that impede growth, particularly of small-scale and informal activities". [*Framework*, 1991, p. 12]

#### *4.1.5 Investment approvals*

Regulations and procedures governing approval new projects would be simplified and a one-step clearing agency, the Zimbabwe Investment Corporation, would be established to expedite new investments. The government also promised to introduce incentives to encourage export-oriented investments by liberalizing the repatriation of capital, profits.

#### *4.1.6 Local government regulations*

Noting that "there is now recognition that the zoning regulations and the licensing of small businesses, shops, hawkers and vendors, which have been in force since independence inhibit the growth of informal employment", the government resolved to establish a Commission to review local council bye-laws and other regulations on economic activity with a view to reforming and rationalizing them in a manner that would balance "growth objectives with enforcing acceptable public health standards and orderly development of towns". [*Framework*, 1991 p. 15]

#### *4.1.7 Supportive sectoral initiatives*

The government noted that it had made remarkable progress in the provision of social services over the past decade and that it did not wish to have these gains eroded. However, it recognized the need to ensure that the provision of social services was sustainable and compatible with the need to reduce the budget deficit. The government proposed to ensure that basic social services would be provided freely or at nominal recovery rates to targeted vulnerable social groups while cost recovery rates would be levied on income groups that were deemed capable of paying them. The sectoral initiative would encompass health, education and training, agriculture, the environment, energy, urban infrastructure, informal sector enterprises and women in development. With regard to agriculture, a controversial commitment by government, was to embark on land redistribution. With regard to the informal sector and small scale activities the government noted that "the growth of the small scale sector has been inhibited by the availability of finance, land and basic utilities, as well as numerous licensing and other regulations". Thus the government proposed to continue its promotional measures through the Small Enterprise Development Corporation (SEDCO) and the Zimbabwe Development Corporation. These organizations provide soft loans and advice of setting up and running small businesses. In addition, the government promised to establish a Venture Capital Company to promote small to medium scale enterprises. Overall, the government noted that:

Moreover, trade liberalization and domestic deregulation will further improve the environment for new investment by small enterprises as well as large and medium. More

specifically, regulations which come in the way of setting up of businesses will be relaxed. As large and medium scale enterprises become more sophisticated and more specialized, they will subcontract work that they can not do competitively to small scale enterprises. [*Framework*, 1991, p. 19]

#### 4.1.8 *The social dimensions of adjustment*

The government also announced the establishment of a Social Dimensions Fund (SDF) targeted at ameliorating the plight of vulnerable groups during the process of structural adjustment. The government justified the establishment of the Fund as follows:

As the overall structural adjustment programme will increase economic growth and has been designed to avoid unnecessary adverse social consequences, the poor will as a whole benefit substantially. However, some individuals or groups are likely to be adversely affected for a time, as structural adjustment can lead to short term negative effects. The aim of government is to shield disadvantaged or vulnerable groups from declines in welfare arising from restructuring or stabilization measures. [*Framework*, 1991, p. 20]

Initially the SDF was aimed at assisting anticipated retrenchees estimated to amount to 10,000 civil servants, 2,000 parastatal workers and 20,000 formal sector employees over the period of reform. The envisioned assistance was to entail retrenchment compensation, early retirement compensation, retraining and business start-up loans. Later, targeted social welfare programmes and informal sector promotion programmes were also sustained under the Social Dimension Fund.

The foregoing were the main elements of ESAP in Zimbabwe as promulgated in the *Economic Policy Statement* in 1990, and in the *Framework for Economic Reform* in 1991. It is important, however, to underscore the assumptions and expectations of government underlying ESAP. Implicit in ESAP was the assumption that the market mechanism would be the prime determinant of resource allocation that would lead to efficient resource allocation and restructuring as a consequence of liberalization, deregulation and stabilization. Very little in ESAP addressed a pro-active facilitative role of government along the lines of the Newly Industrializing Countries (NICs) in actively (a) promoting select key economic activities with spread effects in form of backward, forward and lateral linkages; (b) promoting technology acquisition and adaption; (c) promoting the resolution of bottlenecks, rigidities and inelasticities in supply and demand, infrastructure provision access to assets; and (d) revamping the education system to accommodate structural change<sup>2</sup>. Further, the government may have grossly underestimated the structural production and employment problems at hand, and may have overestimated the ability of the market to resolve them, especially with regard to the role and status of the urban informal sector.

#### 4.2 *Implementation of ESAP and subsequent economic performance - an assessment*

Although the government's commitment to ESAP was beyond questioning, it soon became apparent that there were problems associated with the sequencing and phasing of measures as well as the degree to which some measures could be thoroughly or comprehensively implemented within a short period of time. First, there was the inescapable political sensitivity of some of the measures such as price decontrols, reductions in social services, levying of cost recovery measures and retrenchments. Second, there was the constant need to balance the demands of competing economic groups which continuously lobbied for conflicting policies. This was particularly the case in relation to the attempt to balance the interests of workers and businesses and those of the beneficiaries of the inward looking import substitution regime with those of the newly emerging or expanding businesses benefitting from the new policies. Finally, the implementation of ESAP was de-established by the worst drought in Zimbabwe's living memory which occurred in 1991/92 resulting in a plunge in agricultural output, and an increase in government expenditures for food imports and social expenditure with negative multiplier consequences for the economy as a whole. But nevertheless the government did earnestly begin to implement many of the ESAP measures to one degree or another.

In the event, the consequences of ESAP between 1990 and the present have been stagflationary. Between 1989 and 1992 GDP declined by 2 per cent, employment in the formal sector only increased by 2 per cent; earnings increased by 36 per cent; prices increased by 75 per cent; the government debt

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<sup>2</sup> NIC strategies of development have been widely debated but the weight of the evidence seems to support the role of an interventionist and guiding role of the state along the lines of the analysis by R. Wade, *Governing the Market* (Princeton University Press, Princeton, 1990) and A. Amsden, *Asians Next Giant: South Korea and Late Industrialization* (Oxford University Press, Oxford, 1989).

increased by 100 per cent; and exports increased by 4 per cent while imports increased by 200 per cent. And by 1992 the Zimbabwean dollar had been devalued to 38 per cent of its 1989 value in relation to the US dollar. Also, by 1992 it was estimated that about 25,000 employees had been retrenched. Meanwhile, the population continued to increase at about 2.8 per cent per annum; the number of school leavers looking for work stood at about 300,000 per year when only about 10,000 new jobs per year were being created; and unemployment rates were 48 per cent for the 15 - 19 year age group, 37 per cent for the 20 - 24 year age group, and about 9 per cent for the 25 - 29 year age group; and no appreciable foreign investment was forthcoming.

It is clear from the foregoing that two years after the inception of ESAP, living standards in Zimbabwe had declined and that the country was still mired in an economic quagmire from which there seemed to be little hope of revival, at least in the near future, ESAP measures notwithstanding. It was also clear that the emerging problems of unemployment and underemployment were not only frictional but structural and that the Social Dimensions Fund was not only inadequate but ill-equipped to deal with the structural problems. Overall, there was no strong evidence of a move towards restructuring along the lines anticipated by ESAP, except for the few cases in horticulture, furniture and tourism whose economic consequences for the economy as a whole were marginal.

A general survey of businesses undertaken by the Central Statistical Office in early 1993 indicated that there was a general pessimism among them about future economic prospects. This particular survey indicated that 86 per cent of the firms were operating below capacity, with the "Drink and Tobacco", "Metals and Metal Products" and "Food Stuffs" being the worst affected with close to or above 90 per cent of the respondents operating below capacity. Most firms expressed pessimism about the general economic situation with only the firms in "clothing and footwear" and "textiles" expressing optimism. Most firms complained about rises in unit costs of production and more generally felt that:

Weak domestic market demand and labour disputes were ... the major constraints preventing firms from achieving the full potential of their plant capacity. Weak export market demand and breakdown of machinery and shortages of foreign currency were cited as constraints affecting the industry. [CSO Business Tendency Survey, 1993, p. 1]

The combined effect of falling output and increasing money supply coupled with a belated credit crunch and currency depreciation not only negatively affected the majority of the industries which had been protected by the import-substitution regime, and which were very import dependent, but it also gravely affected the living standards of all segments of the low income population in that prices of final goods and services rose phenomenally between 1989 and 1992 with the cost of food rising by 93 per cent, clothing by 62 per cent, of amenities by 50 per cent, of medical care by 44 per cent, of transportation by 94 per cent and of education by 92 per cent.

It is within the context of the foregoing stagflationary consequences of ESAP that the study was undertaken as to ESAP's impact on the urban informal sector. It should be indicated that in Zimbabwe about three quarters of all households have at least one member working in the formal sector, and that there are cross-remittances between the formal sector, the urban informal sector and the communal sector. Thus developments in the formal sector have repercussions on the other two sectors.

#### **4.3 *Consequences of ESAP relevant to the urban informal sector emanating from the formal sector***

At this stage it is necessary to summarize the main ways in which the foregoing stagflationary consequences of ESAP may have been transmitted to the urban informal sector. It should be noted that the overall macroeconomic environment, in terms of the structure of production and labour utilization, manifested allocative, technical and distributive inefficiencies. The allocative inefficiency was reflected in declining aggregate output and the existence of pervasive unemployment and underemployment; the technical inefficiency was reflected in the existence of excess capacity in the formal sector; and the distributive inefficiency was reflected in the legacy of a skewed distribution in income and of inequitable access to assets especially as related to the communal and informal sectors. Now, since a substantial aspect of the urban informal sector has evolved as an induced outcome of the overall macroeconomic environment, particularly the relationship between the formal and communal sectors, it may be expected that the structure of the urban informal sector reflected the overall inefficiencies as well.

In summary then, the main effects of ESAP on the urban informal sector may be expected to have been transmitted through the following consequences of ESAP on the overall economy:

- (i) *An increase in the cost of inputs* - The fact that the advent of ESAP was associated with an overall increase in the rate of inflation would be expected to increase the costs of many urban

- informal sector inputs from the formal sector especially in form of raw materials, tools and equipment, and finance thereby shifting the supply curve of urban informal sector products to the left, that is, reducing supply at every possible price.
- (ii) *A decrease in the availability of inputs* - The immediate contractionary impact of ESAP on formal sector production would be expected to reduce the availability of intermediate inputs, tools and equipment to the urban informal sector thereby negatively affecting production capacity in the urban informal sector to the degree that these latter firms depended on formal sector inputs, again resulting in a bottleneck on urban informal sector activities.
  - (iii) *A decrease in household savings* - To the degree that urban informal sector participants depended on household savings for start-up and emergency capital, the negative impact of ESAP on employment and on real incomes would be expected to diminish the availability of such financial resources to urban informal sector participants.
  - (iv) *A decrease in demand for urban informal sector products* - The decline in overall household real income due to inflationary pressures and increasing unemployment would be expected to reduce demand for urban informal sector goods and services. Similarly, to the degree that formal sector enterprises purchased goods and services from the urban informal sector the contractionary impact of ESAP on their production would be expected to reduce their derived demand for urban informal sector products and services.
  - (v) *A substitution effect* - Depending on the changes in the relative prices of competing products from the formal sector and the urban informal sector the impact of ESAP would be expected to result in a substitution effect in favour of, or away from urban informal sector products and services. That the latter is likely to be the case is partly suggested by the fact that the urban informal sector being reliant on formal sector inputs would be disadvantaged by increasing prices generally.
  - (vi) *An increase in urban informal sector participants* - The increased retrenchment of labour accompanying ESAP and the decline in household real incomes would be expected to increase the number of individuals wishing to enter the urban informal sector. With regard to households this might be reflected in the increased participation of women and children. This trend would be reinforced by the increased number of school-leavers and drop outs, a consequence of expenditure reduction and cost recovery measures implemented by government.
  - (vii) *Relaxation of regulations* - To the degree that urban city council and government regulations were a constraint, the relaxation of such regulations as part of ESAP would be expected to encourage more participation in the urban informal sector.
  - (viii) *Relaxation of foreign exchange and trade restrictions* - The liberalization of foreign exchange and international trade would be expected to increase imports and exports depending on the ability of urban informal sector participants to access foreign exchange and foreign markets respectively. Nevertheless, since the former have increased substantially they may either increase formal sector competitiveness vis-a-vis the urban informal sector or increase the availability of inputs to the latter.

#### **4.4 Hypotheses**

From the foregoing analysis it is clear that ESAP measures have so far had a stagflationary impact on the formal sector, and, on this basis, the above expectations about its possible impact on the urban informal sector in Zimbabwe have been identified. We may proceed further by advancing some general and specific hypotheses with regard to the expected impact of ESAP on the urban informal sector as follows:

##### **4.4.1 General hypothesis**

It is hypothesized that ESAP measures so far have resulted in allocative and technical inefficiency in the urban informal sector to be reflected in an increase in the number of participants, an increase in costs, a decline in demand, a decline in returns and in increase in effort per unit of real monetary return.

##### **4.4.2 Specific hypotheses**

The following specific hypotheses may be advanced:

- 4.4.2.1 There will be a decrease in returns accruing to urban informal sector participants engaged in sales of previously controlled commodities.
- 4.4.2.2 There will be a decrease in returns in urban informal sector activities that depended on inputs from the formal sector that were primarily produced by import dependent firms.
- 4.4.2.3 There will be an increase in the number of participants engaged in activities with relative ease of entry.

4.4.2.4 There will be an increase in urban informal sector activities engaged in complex activities seeking to engage in 'niche' production and marketing for segmented local markets or export markets.

The foregoing expectations and hypotheses will be assessed on the basis of the survey of the urban informal sector that was undertaken in early 1993 in the cities of Harare, Bulawayo and Gweru.

## **5. The findings**

This section reports the results of the survey of the urban informal sector in Harare, Bulawayo and Gweru. The results are first reported with respect to various traditional aspects of the urban informal sector, and then second conclusions from the findings are discussed with respect to the hypotheses, expectations and criteria discussed in previous sections.

### **5.1 Enterprise characteristics**

The typical enterprise surveyed was a one person enterprise although the average number of participants per enterprise was about 1.5 persons which was slightly lower than the number in previous studies. More than 80 per cent of the enterprises surveyed were viewed as permanent rather than footloose by the respondents. In Harare and Gweru the sale of 'food products' was the most common primary single activity surveyed, followed by 'repair services'; whereas in Bulawayo 'repair services' predominated over 'food services'. 'Textiles' was the third important primary single activity surveyed in Harare and Gweru while 'metal work' was third in Bulawayo. This order of activities did not change much in importance when respondents were requested to indicate their secondary activities. In other words between them, 'food', 'repair' and 'textiles' captured the predominant primary and secondary activities surveyed as shown in Table 3.

**Table 3. Distribution of sample enterprises by primary activity and city**

	Harare (n = 183) (%)	Bulawayo (n = 61) (%)	Gweru (n = 120) (%)
Food products	29.5	13.1	19.2
Textile products	6.0	4.9	10.0
Leather products	0.5	-	9.2
Wood products (furniture, firewood)	4.4	1.7	8.3
Wood products	2.7	3.3	5.8
Plastic products	-	-	-
Metal furniture	1.1	9.8	0.8
Metal implements	4.4	-	5.8
Metal crafts	-	3.3	4.2
Stone crafts	4.9	1.6	1.7
Grass/reed crafts	3.8	-	1.7
Repairs services	12.6	32.8	10.8
Construction	6.6	-	2.5
Others	23.5	29.5	20.0
Total	100.0	100.0	100.0

More than 90 per cent of the respondents indicated that their enterprises operated all year round before and after ESAP. However, the post-ESAP respondents indicating all year round operation were slightly lower for Harare, with 96.3 per cent and 94 per cent, and Gweru with 98.2 per cent and 94.8 per cent for the pre-ESAP and post-ESAP all year round operation respectively. In Gweru the number of respondents for the pre and post ESAP all year round operation at about 97 per cent was unchanged. Table 4 shows the manner in which respondents indicated their days of operation per week. It may be noted first that the majority of respondents in Harare operated their activities for 7 days a week both before and after ESAP; second, that the majority in Bulawayo and Gweru operated their activities for 4 to 6 days per week prior to ESAP with significant drops in respondents doing so after ESAP in these two cities, whereas all the cities showed a slight rise in the percentage of respondents operating for 7 days per week.

Most of the enterprises surveyed were located in low income high density and peri-urban areas, with 91 per cent of the respondents in Harare, 74 per cent of the respondents in Bulawayo and 69 per cent of the respondents in Gweru in these areas. The next important area of location was in the central business districts of these cities.

Overall, 29 per cent of the enterprises were 3 years old or less. The activities with the high percentage of respondents indicating that their enterprises were 3 years old or less are 'food products', 'textiles', 'repair services', 'grass reed mats' and 'metal furniture'. Generally all of the former activities except wood products and metal crafts, are prone to lateral expansion, while the latter two are complex activities with relative barriers to entry. What exactly has been the impact of ESAP on the proneness of these activities to expand, will be explored further below. The activities with the least number of units in the category "3 years or less" such as metal implements, stone crafts, wood products (furniture) and construction are generally more difficult to enter and, in the past, as shown in the review of the urban informal sector, are among the more complex and resilient activities which also require some significant skills. Table 5 shows the average age of enterprise in each activity group. As can be seen construction, metal furniture appear to be an activity that has emerged toward the transitional period in economic policy for reasons to be explored.

**Table 4. Distribution of enterprises by number of days of activity per week and by city**

No. of days per week	Harare		Bulawayo		Gweru	
	Pre-ESAP (n= 152) (%)	Post-ESAP (n= 185) (%)	Pre-ESAP (n= 55) (%)	Post-ESAP (n= 63) (%)	Pre-ESAP (n= 112) (%)	Post-ESAP (n= 119) (%)
Less than 4 days	9.2	10.3	1.8	4.8	4.5	3.4
4-6 days	27.0	22.7	61.8	55.6	50.9	44.5
7 days	63.9	67.0	36.3	39.7	44.7	52.0

**Table 5. Age of enterprise by primary activity**

	Mean (yrs.)	SD	N
Food products	7.52	7.19	82
Textile products	8.57	7.21	25
Leather products	10.31	5.96	13
Wood products (furniture, etc.)	11.80	9.37	20
Wood products	11.62	12.02	13
Plastic products	-	-	-
Metal furniture	5.25	5.50	8
Metal implements	13.69	8.10	16
Metal crafts	10.17	8.57	6
Stone crafts	13.12	8.15	11
Grass, reed crafts	5.38	4.78	8
Repairs and services	10.44	11.17	53
Construction	4.53	2.03	15
Others	8.97	9.44	82
All	9.14	8.77	352

The average age of the enterprise was overall about 9 years which was almost equal to that found by the GEMINI study and higher than that found by ILO/SATEP. The results showed that the oldest enterprises were in the high density suburbs with close to 10 years followed by those in the central business district with about 8 years. The most recent activities which averaged about 3 years were found in the high income low density suburbs. However the variation in years of operation was quite high in all the locations with standard deviations almost equal to the mean years. Gweru had the highest mean years of operation per enterprise at about 11 years followed by Bulawayo with about 10 years and Harare with about 8 years.

### **5.2 Owner/proprietor characteristics**

The survey findings suggested not all the individuals responsible for running a given enterprise were necessarily owners. The survey showed that 18 per cent of the respondents in Harare, 14 per cent of the respondents in Bulawayo and 5 per cent of the owners in Gweru were still in the formal sector. In general however, the majority of the enterprises were operated by owner/proprietors. As

shown in Table 6, the study found that slightly above 20 per cent of the respondents in Harare and Bulawayo were previously in the formal sector prior to ESAP while in Gweru only about 10 per cent indicated that they were previously in the formal sector. When those who were previously in the formal sector and unemployed prior to ESAP are combined, the findings suggest that more than 30 per cent of the respondents in Harare and Bulawayo, and 22.3 per cent of those in Gweru were previously not in the informal sector prior to ESAP but are currently engaged in it. The largest percentage of those who were previously not in the informal sector prior to ESAP indicated that they had been retrenched, dismissed or retired as shown in Table 7. Harare had a sizeable percentage at 27 per cent, of individuals who joined the informal sector as a preferred option among those that recently entered the informal sector.

The overall data, as shown in Table 8, however, shows that in Harare and Bulawayo the majority of the informal sector participants, chose the informal sector either because they could not find a job' (meaning formal sector employment), or, as a supplement to their incomes, with only 25 per cent in Harare and 16 per cent in Bulawayo, indicating that they chose the urban informal sector as a superior or preferred option. Only in Gweru was there a significant difference in that 70 per cent of the respondents chose the urban informal sector for combined reasons of 'better earnings', 'like independence' and 'like security', indicating that the sector was preferred. Table 9 shows the reasons for choice of a particular activity by city. It may be noted that 46.1 per cent of the respondents in Harare chose their activities for ease of entry (on the basis of low skills and little start-up capital) while the percentages for Bulawayo and Gweru were 33 and 40 per cent respectively. In Bulawayo and Gweru, 36 and 30 per cent respectively, indicated that they chose particular activities because they had relevant skills. Table 10 shows the reason for choice of an activity on the basis of whether the activity was permanent or mobile. The distributions are relatively similar for both mobile and permanent activities, with a minority percentage in each indicating that 'lesser competition', 'less stringent regulations' and 'availability of tools and equipment' as main reasons. Indeed, outside of the 20 per cent indicating profitability as a reason, the majority seem to have chosen particular activities because of their ease to begin and operate.

**Table 6. Previous job of enterprise owners by city (Pre-ESAP)**

	Harare (n = 180) (%)	Bulawayo (n = 117) (%)	Gweru (n = 117) (%)
Formal job	21.15	22.25	9.4
Informal activity	57.2	65.1	74.4
Both F & I	5.6	1.6	3.4
No job	16.1	11.1	12.9
Total	100.0	100.0	100.1

**Table 7. Distribution of new entrants to the informal sector by motive and by city (Post-ESAP)**

	Harare (n = 67) (%)	Bulawayo (n = 20) (%)	Gweru (n = 13) (%)
Retrenched	34.3	35.0	53.8
Dismissed	3.0	15.0	7.7
Resigned	6.0	5.0	-
Voluntary retirement	6.0	10.0	15.4
Involuntary retirement	4.5	-	7.7
Unemployed/no job found	7.5	10.0	7.7
Low wages in formal sector	7.5	-	-
Prefer informal sector	19.4	5.0	-
Inherited from relative	1.5	5.0	-
Other	10.4	15.0	7.7
Total	100.1	100.0	100.0

**Table 8. Reason for engaging in informal sector by city**

	Harare (n = 177) (%)	Bulawayo (n = 58) (%)	Gweru (n = 115) (%)
Couldn't find job	53.1	63.8	21.0
More earnings than find job	11.3	5.2	24.4
Like independence	8.5	10.3	30.3
Like security	4.0	-	15.1
Supplement other income	8.5	-	3.4
Supplement family income	8.5	12.1	0.8
Other	6.2	8.6	5.1
Total	100.1	100.0	100.1

**Table 9. Reason for choosing a particular activity by city**

	Harare (n = 187) (%)	Bulawayo (n = 61) (%)	Gweru (n = 119) (%)
Most profitable	18.5	19.7	21.0
Needs less start-up capital	23.6	19.7	24.4
Possess relevant skills	21.9	36.1	30.3
Easy skills/no skills	22.5	13.1	15.1
Lesser competition	2.2	1.6	3.4
Lesser stringent regulations	1.7	1.6	0.8
Availability of fixed inputs	2.8	3.3	1.7
Friends/relatives doing it	6.8	4.9	3.4
Total	100.0	100.0	100.1

**Table 10. Reason for choosing the specific activity by type of enterprise**

	Permanent			Mobile			Total
Most profitable	20%	61	(87%)	20%	10	(13%)	70
Needs little start-up capital	23%	70	(85%)	24%	12	(15%)	82
Have relevant skills	28%	83	(87%)	24%	12	(13%)	95
Easy to learn skills	18%	55	(83%)	22%	11	(17%)	66
Lesser competition	3%	9	(90%)	2%	1	(10%)	10
Lesser stringent regulations	1%	4	(80%)	2%	1	(20%)	5
Availability of tools, equipment, machinery	2%	6	(67%)	6%	3	(33%)	9
Most friends/relatives are doing it	4%	13	(76%)	8%	4	(24%)	17
Total	100%	301		100%	50		

**Note:** Row percentages in brackets ( ).

Table 11 shows the distribution of owner and non-owner respondents by education level in each city. It may be noted that the majority have primary and secondary education. The percentage with secondary education is significantly higher than that reported for previous studies. Interestingly as well, in each of the cities the non-owners have a higher level of education than the owners, with the former being better represented at secondary level and the latter at primary level. This finding may suggest that absentee owners tend to hire better educated individuals to operate their activities.

**Table 11. Education level of owners of informal sector enterprises by city**

	Harare		Bulawayo		Gweru	
	Owner (n= 152) (%)	Non-owner (n= 28) (%)	Owner (n= 49) (%)	Non-owner (n= 12) (%)	Owner (n= 108) (%)	Non-owner (n= 13) (%)
None	2.6	3.6	2.0	8.3	3.7	-
Primary	50.0	21.4	59.2	33.3	46.3	23.1
Secondary	47.4	75.0	36.7	58.3	49.1	76.9
University	-	-	2.0	-	0.9	-
<b>Total</b>	100.0	100.0	99.9	99.9	100.0	100.0

Not only are the non-owners better educated, but they were found to be younger as well with a mean age of 30 years for Harare, 26 years for Bulawayo and 28 years in Gweru. The average ages of the owners were overall about 38 years with only slight deviations between cities. This average is very much similar to that found by the GEMINI study in 1991 and the ILO/SATEP study in 1984. The relative constancy in the average age may suggest either that the exit rate of older participants is matched by the entry of younger participants or that more younger participants are entering the informal sector thereby depressing the average age downward even if the older participants remain.

Table 12 shows the mean age of the heads of enterprises by activity. It may be noted that generally the activities with easy entry such as, 'food products', 'textile products' and 'grass and reed crafts' have, as would be expected, relatively younger participants on the average. However, so do 'leather products', 'wood products', 'stone crafts' and 'construction' which are relatively complex and skill-oriented activities. Further, it may be noted as would be expected, given the earlier review, that 'metal implements', 'metal crafts' and 'wood products' have the highest mean ages for the owners and relatively quite low ages for non-owners. The latter may represent the nature of apprenticeships undertaken by non-owner younger operators. The youthful nature of the participants in the other relatively complex activities may suggest that many of the newer entrants who are retrenchees or better educated and younger may be going into these areas such as 'leather' and 'wood' products and 'stone crafts' and construction. An interesting finding was that the activity of 'metal implements' had not only had the largest percentage of participants over 50 years who were 43 per cent of the total in this activity, but also had 33 per cent of its participants with university education.

**Table 12. Age of owner/non-owner by primary activity (years)**

	Mean		SD		N	
	Owner	Non-owner	Owner	Non-owner	Owner	Non-owner
Food products	37.85	29.29	35.73	16.97	79	7
Textiles products	36.55	25.50	8.95	5.20	22	4
Leather products	30.64	32.50	11.46	10.61	11	2
Wood products (furniture)	33.94	28.67	13.10	5.13	17	3
Wood products	40.42	-	13.45	-	12	-
Plastic products	-	-	-	-	-	-
Metal furniture	39.29	25.50	17.06	3.54	7	2
Metal implements	42.06	21.00	15.11	2.83	15	2
Metal crafts	45.50	-	8.19	-	6	-
Stone crafts	34.63	37.25	6.65	8.22	8	4
Glass and reed crafts	36.44	-	10.41	-	9	-
Repairs and services	38.00	27.36	10.57	7.56	48	8
Construction	35.50	33.00	9.83	3.61	12	3
Others	39.35	25.67	13.54	7.08	66	15
All	37.89	28.06	13.13	9.05	312	50

In all the activities, as shown in Tables 13 and 14, there were significant variations between them with respect to education and age. Thus, on the one hand, with respect to education, activities with the highest percentage of participants with primary education were 'food products' (53 per cent), 'leather products' (56 per cent), 'grass and reed crafts' (56 per cent) and 'repairs' (54 per cent), and on the other hand, the activities with high percentages of secondary school educated participants were 'stone crafts' (78 per cent), 'metal furniture' (86 per cent), 'wood furniture' (56 per cent), 'metal crafts' (57 per cent) and 'wood products' (65 per cent). 'Metal implements' had 93% of its participants with secondary and university education. In general, with respect to age, the more complex activities had significantly higher proportions in the above 50 years age group relative to the other activities. Similarly, the activities with ease of entry had significantly higher, although equally small, percentages of participants in the age group below 30 years of age as can be seen from Table 15.

**Table 13. Distribution of owners of enterprises by education and by primary activity**

	None	(%)	Primary	(%)	Secondary	(%)	University	(%)	Total
Food products	2	(3)	41	(53)	34	(44)	-		77
Textiles products	-		10	(45)	12	(55)	-		22
Leather products	-		6	(56)	5	(46)	-		11
Wood products (e.g., furniture)	1	(6)	6	(38)	9	(56)	-		16
Wood products	-		4	(36)	6	(55)	1	(10)	11
Plastic products	-		1		-		-		-
Metal furniture	-		1	(14)	6	(86)	-		7
Metal implements	-		1	(7)	9	(60)	5	(33)	15
Metal crafts	-		3	(43)	4	(57)	-		7
Stone crafts	-		2	(22)	7	(78)	-		9
Grass, reed crafts	1	(11)	5	(56)	3	(33)	-		9
Repairs services	1	(4)	23	(54)	18	(42)	1		43
Construction	-		6	(50)	6	(50)	-		12
Other	1	(2)	36	(56)	27	(42)	-		64

**Note:** Low percentages in brackets ( ).

**Table 14. Age distribution of owners/non-owners by activity**

	< 18 years		18-30 years		31-50 years		51-60 years		> 60 years		Total	
	C (%)	R (%)	C (%)	R (%)	C (%)	R (%)	C (%)	R (%)	C (%)	R (%)		
Food products	-		27	27	40	21	32	48	4	8	12	67
Textiles products	-		7	7	22	14	22	69	1	3	9	32
Leather products	-		5	5	56	3	4	44	-	-	-	9
Wood products (e.g. furniture)	50	1	9	9	55	3	4	24	2	4	24	17
Wood products	-		3	3	43	5	7	64	<1	1	9	11
Plastic products	-		-	-	-	-	-	-	-	-	7	1
Metal furniture	-		3	3	43	1	2	29	<1	1	14	7
Metal implements	-		4	4	29	3	4	29	3	5	36	14
Metal crafts	-		-	-	-	3	5	71	1	2	29	7
Stone crafts	-		2	2	25	4	6	75	-	-	-	8
Grass, reed crafts	-		3	3	30	3	5	50	<1	1	10	10
Repair services	-		13	13	27	19	29	59	4	7	14	49
Construction	-		4	4	33	5	7	58	<1	1	8	12
Other	50	1	19	19	32	17	26	43	6	12	20	60
Total	100	2	100	99		100	153		100	199		60

C = Column %

R = Row %

**Table 15. Distribution of enterprises by age of enterprise and age of owner**

	0 to 3 years			4 years and more			Total
Less than 18 years old	1%	1	(50%)	< 1%	1	(50%)	2
10 to 30 years old	22%	47	(47%)	25%	53	(53%)	100
31 to 50 years old	38%	32	(22%)	55%	116	(78%)	148
51 to 60 years old	6%	5	(13%)	16%	33	(100%)	38
More than 60 years	0%	-	-	9%	18	(100%)	18
Total	100%	85		100%	211		306

**Note:** Row percentage in brackets ( ).

Less than 30 per cent of the respondents said they had recently borrowed any money. The overwhelming majority of those that did, had borrowed from relatives. In Harare and Gweru, 89 per cent and 82 per cent respectively of the respondents who had borrowed money from relatives, while all similar respondents in Bulawayo did so from relatives. Six people in all out of a total of 105 respondents had borrowed money from formal credit institutions. The average loans borrowed from friends and relatives at \$714 for Harare and \$671 for Bulawayo and \$570 for Gweru were significantly lower than those borrowed from formal credit institutions which averaged about \$5,000 each for the 2 borrowers in Harare, and \$3,250 each for the borrowers in 4 in Gweru. The mean repayment periods for the loans were about a little under 6 months for loans from friends and relatives and about 1.5 years for loans from credit institutions. Borrowing from informal sources was not significant.

### **5.3 Household characteristics of owners**

Table 16 shows the distribution of enterprises and households by location. The distribution of enterprises by location was noted earlier. An interesting difference between the cities may however be noted here in that Bulawayo has a significant and the highest, although small proportion, of enterprises located in the low density areas, while Gweru has the highest proportion located in the central business district. This outcome however may represent the survey strategy biases of the interviewers. Nevertheless the majority of the enterprises were located in low income suburbs and so were the households of the respondents. It may be noted that the pre-ESAP and post-ESAP location of household location did not change much except for the significant increase in respondents residing in rural areas during the post-ESAP period in each of the cities while the overall distribution remained the same. It may also be noted that overall, and for Harare and Gweru there were significant increases in distances between the household and the enterprise before and after ESAP with the distance increasing in the latter period.



**Table 16. Household characteristics of enterprise owner**

	Harare (173)	Bulawayo (121)	Gweru (100)	Total (394)
<b><i>Suburb enterprise</i></b>				
High density	70.8	53.4	68.0	64.8
Peri-urban	22.6	0.9	3.0	10.9
Low density	3.0	19.0	1.0	7.3
CBD-city centre	3.6	26.7	28.0	16.9
<b><i>Pre-ESAP hh residence</i></b>				
High density	71.3	88.1	90.7	81.3
Peri-urban	13.5	0.8	1.0	6.5
Rural community	11.1	1.7	3.1	6.2
Rural commercial farm	0.6	0.8	-	0.5
CBD-city centre	-	-	-	-
<b><i>Post-ESAP hh residence</i></b>				
High density	70.8	90.1	85.9	80.6
Peri-urban	14.6	1.7	2.0	6.9
Rural community	9.4	8.3	5.1	5.9
Rural commercial farm	0.6	-	-	0.3
Low density	4.1	-	7.1	6.1
CBD-city centre	0.6	-	-	0.3
<b><i>Average distance of hh residence from enterprise</i></b>				
Pre-ESAP	14.45	5.63	5.74	8.96
Post-ESAP	19.83	5.44	7.44	11.56
<b>Note:</b> Sample size in brackets ( ).				

Table 17 shows that the majority of the respondents resided with their households on a daily basis and that the cost per trip between the household and the enterprise had increased by 61 per cent for Harare respondents, by 31 per cent for Bulawayo respondents and had not changed much for Gweru respondents. Since Harare respondents had experienced the greatest change in increased distance between the household and the enterprise as shown in Table 16, and the highest increased cost of transportation per trip, the impact of ESAP on their transportation cost must have been highest. In general it may be deduced that both distances between the household and the enterprise and the cost of transportation had increased for Harare and Bulawayo respondents as a consequence of ESAP.

**Table 17. Residence characteristics of enterprise owner**

	Harare	Bulawayo	Gweru	Total
<b><i>Residence with hh on daily basis</i></b>				
Yes	87.0	96.4	92.9	91.5
No	13.0	2.7	7.1	8.5
<b><i>Cost per trip to and from hh (average Z\$)</i></b>				
Pre-ESAP (Z\$)	3.95	3.07	2.55	3.32
Post-ESAP (Z\$)	6.35	4.01	2.67	4.74

The average size of the households at 6.2 persons as shown in Table 18 had not changed much from those reported in previous surveys. It may be noted that on the whole the households were such that there were about 2 adults above 64 years of age and about 2 to 3 children below the age of 12 so that there were on the average about 4 to 5 dependents per household, and for about 75 per cent of the households there were about two income earners generally with the primary earner generally in wage employment as shown earlier. Tables 19 and 20 show that the primary sources of household income for the owner's household were wage employment and informal sector activities.

The actual income figures, as is the usual case in such surveys are not too reliable as is easily shown by the fact that the total average earnings per household are above \$4,000 per month, a value that is clearly unrealistic. Nevertheless, qualitatively, the relative importance of wage employment and informal sector activity is quite obvious. More realistic monetary information is perhaps represented by data in Table 21 which shows pre- and post- ESAP household expenditures including savings. The table shows that respondents perceived their total household expenditures to have increased by about 33 per cent in Harare, by about 25 per cent in Bulawayo, and by about 28 per cent overall, while expenditures in Gweru did not change appreciably.



**Table 18. Selected characteristics of the household of enterprise owners**

	Harare		Bulawayo		Gweru		Total	
<b><i>Household size</i></b>								
Average number	6.5		6.2		5.9		6.2	
Standard deviation	2.9		3.58		2.92		3.1	
Minimum	1		1		1		1	
Maximum	16		23		20		23	
<b><i>Age group</i></b>	<b><i>M</i></b>	<b><i>F</i></b>	<b><i>M</i></b>	<b><i>F</i></b>	<b><i>M</i></b>	<b><i>F</i></b>	<b><i>M</i></b>	<b><i>F</i></b>
<i>&lt; 12 years</i>								
Average number	1.8	1.66	1.69	1.61	1.76	1.9	1.8	1.7
Standard deviation	1.0	0.90	0.8	0.74	1.17	1.1	0.99	0.91
<i>12 - 18 years</i>								
Average number	1.69	1.8	1.56	1.56	1.78	1.56	1.7	1.68
Standard deviation	0.97	1.09	0.92	0.75	1.22	0.82	1.0	0.95
<i>18 - 64 years</i>								
Average number	1.64	1.54	1.75	1.56	1.63	1.48	1.7	1.53
Standard deviation	1.04	1.04	1.23	1.28	1.03	0.87	1.09	1.07
<i>&gt; 64 years</i>								
Average number	1.0	1.0	1.38	1.0	1.0	1.0	1.2	1.0
Standard deviation	0.0	0.0	0.96	0.0	0.0	0.0	0.75	0.0
<b>Note:</b> M = male; F = female.								

**Table 19. Sources of household income of enterprise owners - Pre-ESAP period**

Activity	Harare	Bulawayo	Gweru	Total
	Monthly mean earnings (\$)	Monthly mean earnings (\$)	Monthly mean earnings (\$)	Monthly mean earnings (\$)
Current formal sector employment	754.77	10.03	620.67	750.62 (809.6)
Gardening	720.00	165.00	80.00	501.25 (1 013.23)
Farming	661.67	-	137.50	530.63 (1 001.30)
Owner's informal sector activity	992.07	840.65	740.39	875.03 (1 329.38)
Other informal sector activity	268.75	1 383	392.32	449.64 (771.11)
Seeking alms/begging	-	-	-	-
Street kid activity	-	-	550.00	550 (70.71)
Pension	350.00	450.00	191.33	315.50 (165.47)
Retrenchment benefits	-	100.00	-	100.00 -
Remittance	-	-	-	-
Other	711.67	-	593.33	672.22 (766.19)

**Note:** The numbers in brackets denote the standard deviation.

Tables 22 and 23 give some additional indications as to how the consequences of ESAP have been transmitted through the respondents' household expenditures. Table 22 shows that overall expenditures have not increased by as much as the overall rate of inflation, hence real expenditures may have fallen. In the perception of the respondents, expenses on fuel and energy have increased the most, followed by those on food, education and transport, for which average price indices had increased appreciably by 1992. Table 23 shows that the impact of ESAP may have been reflected in a change in the composition of expenditures with increased proportions of total expenditures being allocated to food, fuel and energy, transport and education and reduced proportions for clothing, savings and other expenditures. It may be deduced that the reduction in real expenditures may have increased the motivation to engage in urban informal sector activities for supplementary income; and that the restructuring of expenditures may have had implications for the demand of informal sector products, perhaps by increasing the purchase of food items and reducing the purchase of miscellaneous items. In any case, with regard to demand, it may be noted that the demand of informal sector

households is only a portion of total demand for informal sector products which includes other households as well, as will be shown below.





**Table 21. Average household expenditures of enterprise owners, before and after ESAP by major group (\$)**

	Harare		Bulawayo		Gweru		Total	
	Pre-ESAP	Post-ESAP	Pre-ESAP	Post-ESAP	Pre-ESAP	Post-ESAP	Pre-ESAP	Post-ESAP
Food	225.52	406.37	223.49	334.13	142.19	215.10	217.28	337.92
Clothing	217.95	204.26	155.76	176.96	121.13	108.19	172.80	172.18
Fuel/ energy	48.52	119.47	108.06	197.19	82.69	130.67	72.74	142.39
Transport	93.93	152.63	89.89	111.31	49.66	74.62	81.72	120.87
Education	234.72	332.84	106.98	165.16	80.12	129.71	149.17	223.54
Savings	307.21	414.78	387.34	388.75	264.47	106.00	317.34	361.85
Other	206.07	188.26	379.77	448.00	265.95	245.24	275.64	281.65
Total	1 366.92	1 818.61 + 33%	1 451.29	1 821.50 + 25%	1 006.21	1 009.54	1 286.69	1 640.40 + 28%

**Table 22. Index of changes in household\* expenditures (Pre-ESAP = 100) and prices (1990 = 100)**

	Total	Harare	Bulawayo	Gweru	CSO	Price index
Food	155	157	150	151	241	193
Clothing	100	94	114	89	176	162
Fuel/energy	194	243	182	157	186	150
Transport	148	163	123	150	209	194
Education	150	141	156	163	196	192
Savings	114	135	101	40	-	-
Other	102	91	118	92	-	-
Total	128	133	125	100	204	175

**Table 23. Distribution of household\* expenditures Pre- and Post-ESAP**

	Harare		Bulawayo		Gweru		Total	
	Pre %	Post %	Pre %	Post %	Pre %	Post %	Pre %	Post %
Food	19	22	16	18	14	21	17	21
Clothing	16	11	11	10	12	11	13	11
Fuel/energy	4	7	7	11	8	13	6	9
Transport	7	8	6	6	5	7	6	7
Education	17	18	7	9	8	13	12	14
Savings	23	23	27	21	26	11	25	22
Other	15	10	26	25	26	24	22	17
Total	100	100	100	100	100	100	100	100

\* Refers to household of the owners of enterprises.

Table 24 shows that when the respondents were asked what the greatest impact of ESAP on the household was, 70 per cent of the respondents indicated that because of price increases they now restricted their purchases to essentials only. And as shown in Table 25 the main adjustments to the impact of ESAP were indicated as reduction in non-essentials, by about 36 per cent of the respondents, and participation in informal sector activities by about 26 per cent of respondents. The pattern of reactions regarding the adjustment to the impact of ESAP did not differ much by area of household residence.



**Table 24. Impact of ESAP on the household of enterprise owners**

Impact	Harare	Bulawayo	Gweru	All
Because of price increases only buy essentials	73.8	70.1	63.5	69.7
Reduced savings	11.5	4.3	4.2	7.0
School fees payment problems	0.8	6.0	6.3	4.1
No impact	6.2	2.6	5.2	4.7
Changed residential area	1.5	0.9	1.0	1.2
Reduced travelling expenses	2.3	1.7	-	1.5
Retrenchment of breadwinners	3.8	3.4	4.2	3.8
Reduced earnings from business	-	11.1	15.6	8.2

**Table 25. Distribution of enterprise owners' household by type of adjustment to ESAP**

Adjustment	Harare	Bulawayo	Gweru	All
Cut down expenditure on luxuries, only buy essentials	35.3	45.5	23.6	35.5
Changed residential area	2.9	1.8	7.9	3.9
No adjustment	7.4	15.5	9.0	10.4
Cut down food expenditure	22.8	6.4	20.2	16.7
Children stopped attending school due to fees problems	5.9	5.5	5.6	5.7
Supplement income (informal sector expansion, etc.)	23.5	23.6	31.5	25.7
Reduce travelling	2.2	0.9	1.1	1.5
Purchases food on credit	-	0.9	1.1	0.6



#### **5.4                      *Employment characteristics***

Table 26 shows the nature of employment in the urban informal sector enterprises surveyed. The table shows that the respondents believe that the number of workers per enterprise has increased since the pre-ESAP period. It may be noted, however, that both the pre and post-ESAP numbers of participants per enterprise at 1.27 and 1.35 respectively are significantly below the 1.83 and 2.6 participants per enterprise reported by the GEMINI study (1991) and the ILO/SATEP study (1984). Thus since 1984, there seems to have been a dramatic fall in employment per enterprise or the number of participants per enterprise. Nevertheless, it may also be noted that there seems to have been a slight increase in the number of participants per enterprise since ESAP, even if the major trend implies a general reduction.







The marginal increase in employment per enterprise between the pre and post-ESAP periods is further illustrated by the data in Tables 27 and 28. Table 27 shows the composition of the workforce in each of the cities. The table shows that the workforce increased in general by 29 per cent in the enterprises surveyed, and that the largest increase was in Harare with 47 per cent. Harare also has the highest post-ESAP number of participants per enterprise at 1.39 compared to an average of 1.35 for all cities. Table 27 shows that in both the pre and post-ESAP periods the largest proportion of the work force consisted of full-time hired employees. However, in Harare and Gweru there has been a slight decrease in full-time employees in favour of paid family and part-time workers in the case of Harare, and in favour of paid family workers in the case of Gweru. Overall, the percentage of full-time workers declined in favour of paid family members. The pre and post-ESAP changes in each category of workers is shown in Table 28. This table shows the general increase in employment per enterprise during the ESAP period by about 29 per cent among the respondent enterprises. The significant relatively higher increase in paid family labour may also be noted, while that of apprentices is high but insignificant given the low absolute starting base. This increase in the participation of family members is more likely a consequence of the pressures on the household to eke out supplementary incomes no matter how marginal such incomes might be rather than a consequence of the growth of the enterprises per se.



**Table 26. Change in employment, before and after ESAP**

	Workers as % of total participants in the sample		Total participants per enterprise	
	Post-ESAP	Pre-ESAP	Post-ESAP	Pre-ESAP
Harare	39	20	1.39	1.26
Bulawayo	36	25	1.36	1.33
Gweru	29	20	1.29	1.26
Total	35	21	1.35	1.27

**Table 27. Change in the composition of employment, by city**

	Harare		Bulawayo		Gweru		Total	
	Pre %	Post %	Pre %	Post %	Pre %	Post %	Pre %	Post %
Paid family	17	22	32	29	20	24	21	23
Part time hired	19	23	21	24	17	12	19	20
Full-time hired	60	51	42	43	63	62	57	52
Apprentices	4	4	5	5	0	3	3	4
% change	100	100	100	100	100	100	100	100
	47	69	19	21	30	34	96	124
		+ 47		+ 11		+ 13		+ 29

**Table 28. Percent change in employment, by type of workers and by city**

	Harare	Bulawayo	Gweru	Total
Paid family	+ 88	+ 0	+ 33	+ 45
Part-time hired	+ 78	+ 25	- 20	+ 39
Full-time hired	+ 25	+ 13	+ 11	+ 18
Apprentices	+ 50	0	+ 100	+ 66
Total	+ 47	+ 11	+ 13	+ 29

The foregoing data, when placed in the context of findings from previous studies suggests that employment per enterprise had been experiencing a secular decline prior to ESAP, perhaps due to lateral expansion but that since the advent of ESAP measures, there has been a tendency for employment per enterprise to increase. Further, while this increase in employment has been true of all categories of workers, there has been a relatively greater increase in the employment of paid family members and perhaps apprentices as well. This increase in employment per enterprise has also occurred simultaneously with a tendency for the owners to work longer hours per day. The study found that the percentage of respondents working more than 9 hours per day had increased from 68 to 70 per cent in Harare, 56 to 60 per cent in Bulawayo, and 75 to 80 per cent in Gweru since the advent of ESAP.

### **5.5 Skill acquisition**

Tables 29 and 30 show the modes of skill acquisition as indicated by the respondents. From Table 29 it may be seen that the distribution of respondents by modes of skill acquisition is similar between the two types of enterprises for all the categories except the categories "no or little skills required" for which 26 per cent of the 'mobile' enterprise respondents and only 15 per cent of the 'permanent' enterprise respondents indicated, "learned on the job" for which 14 per cent of the 'permanent' respondents and only 9 per cent of the 'mobile' enterprise respondents indicated, and "learned from previous employment" for which 6 per cent of the 'permanent' enterprise respondents compared to 2 per cent of the 'mobile' enterprise respondents indicated. This bias in the skill acquisition by type of enterprise may be expected. Table 29 also shows that the transfer of skills from the formal sector through previous employment or training is relatively minor accounting for only about 15 per cent of the respondents. Indeed, more than 30 per cent of recent retrenched currently in the informal sector indicated that their main form of skill acquisition for the activities they were undertaking was on-the-job training from within the informal sector.

**Table 29. Mode of skill acquisition by enterprise type**

	N		Permanent		Mobile		
No or little skills required	59	45	15%	(76%)	14	26%	(24%)
Learned on job as worker/ apprentice	47	42	14%	(89%)	5	9%	(81%)
Learned on job by myself	97	83	28%	(86%)	14	26%	(14%)
Learned from friends around the area	63	53	18%	(84%)	10	19%	(16%)
Learned from previous formal sector job	25	20	7%	(80%)	5	9%	(20%)
Learned from previous informal employment	18	17	6%	(94%)	1	2%	(6%)
Learned from a training course	27	24	8%	(89%)	3	6%	(11%)
Other	16	14	5%	(88%)	2	4%	(12%)
Total	352	298	100%	(85%)	54	100%	(15%)

**Note:** Row percentages in brackets ( ).

**Table 30. Mode of skill acquisition by enterprise age group**

	N	0 to 3 years old		4 years and more		
No or little skills required	60	22	21% (37%)	38	15%	(62%)
Learned on job as worker/ apprentice	47	9	9% (19%)	38	15%	(81%)
Learned on job by myself	98	31	30% (32%)	76	27%	(68%)
Learned from friends around the area	61	17	16% (28%)	44	18%	(72%)
Learned from previous formal sector job	25	8	8% (32%)	17	7%	(68%)
Learned from previous informal employment	18	6	6% (33%)	12	5%	(67%)
Learned from a training course	27	7	7% (26%)	20	8%	(74%)
Other	14	4	4% (29%)	10	4%	(71%)
		104	100% (30%)	246	100%	(70%)

**Note:** Row percentages in brackets ( ).

Table 30 gives an indication of the pattern in modes of skill acquisition in the pre and post-ESAP periods by desegregating the respondents by age of enterprise with those 3 years old or less as being assumed to have emerged after ESAP measures had begun. Again while the distribution of respondents by mode of acquisition in each age group is similar, the major exceptions relate, first, to the relatively higher preponderance of those indicating "no or little skills required" in the age group 3 years or less at 21 per cent compared 15 per cent in the 4 years and above age group; and of those indicating "learned on the job by myself" in the age group 3 years or less, at 30 per cent, compared to 27 per cent for the group 4 years and older may suggest that during the post-ESAP period individuals entering the informal sector because of ease of entry may have been increasing. The second exception which again reinforces the foregoing deduction is that there is a relatively smaller

proportion of respondents indicating acquisition of skills through "learning of the job" in the 3 years or less group at 9 per cent compared to that in the 4 years or more group at 15 per cent. Again this may be expected in that more recent entrants would not have had an opportunity to undergo training. When the foregoing trends are combined with the trends in employment it may be expected first, that the lateral expansion of enterprises implied by the reduced number of participants per enterprise compared to the pre-ESAP period may imply a general dilution or lowering of skills in the urban informal sector as larger number of untrained individuals enter the urban informal sector. Second, it may be expected that the relative surge in employment per enterprise may result in the increased transfer of skills through on the job training, limited as such skills might be.

### **5.6 Work responsibilities**

An attempt was made to assess whether there had been any change in the nature of responsibilities undertaken by owners and non-owners of enterprises since ESAP. It may be observed initially that it is generally recognized and assumed that given the prevalence of owner-operated enterprises in the urban informal sector, the division of labour is limited and that the rationalization of tasks is also rudimentary. Nevertheless, the results as shown in Tables 31 and 32 show some interesting implications of the post-ESAP environment on the manner in which the tasks are undertaken by managers of enterprises that are owners and non-owners respectively. In general, the tables show a similar trend toward an increasing division of labour and a rationalization of tasks. Thus Table 31 shows first, with regard to people, that since ESAP, the percentage of owner managers undertaking both "monitoring and supervising" and "serving/instructing" tasks fell dramatically from 78 per cent to 60 per cent in Harare, 68 per cent to 27 per cent in Bulawayo, and 71 per cent to 42 per cent in Gweru, and that the percentage of respondents undertaking the foregoing tasks as separate functions increased, except for Gweru where the respondents for the first task decreased and those for the second function increased markedly. Second, with regard to information the table shows that owner managers who said they undertook "all" tasks decreased from 54 per cent to 33 per cent for Harare, from 33 per cent to 25 per cent for Bulawayo, and from 32 per cent to 22 per cent for Gweru. And third, with regard to things, there was a tendency for the tasks to be "all" undertaken together.

**Table 31. Change in responsibilities of owners by city, before and after ESAP**

	Harare		Bulawayo		Gweru	
	Pre (%)	Post (%)	Pre (%)	Post (%)	Pre (%)	Post (%)
<b>Regarding people</b>						
Monitor and supervise	18.3	20	30.2	36.4	26.2	15.8
Serve/instruct	3.3	20	-	36.4	2.4	42.1
Both	78.3	60	67.8	27.3	71.2	42.1
Total	100.00	100.00	100.00	100.00	100.00	100.00
<b>Information</b>						
Synthesize	4.9	11.1	9.5	-	11.4	16.7
Compile/computer	2.5	5.6	4.8	-	3.8	-
Copy/count	11.1	27.8	21.4	50.0	19.0	33.3
All	54.3	33.3	33.3	25.0	31.6	22.2
None	27.2	22.2	31.0	25.0	34.2	27.8
Total	100.00	100.00	100.00	100.00	100.00	100.00

Table 32 shows the results for non-owner managers where again the percentage of respondents undertaking "both" or "all" functions with regard to people and information respectively declined dramatically from the pre to the post-ESAP period for all cities in favour of specialization. Similarly, with respect to "things" there were either no marked changes or an increase in respondents undertaking all functions.

The findings in Tables 31 and 32 are quite unique since they imply that the post-ESAP environment has somehow led to increased rationalization of production activity in the urban informal sector. This is an expectation that would be normally associated with the impact of structural adjustment measures on the formal sector enterprises. That some rationalization of tasks may have been occurring is further reinforced by the fact that the increase in the proportion of owner and non-owner managers responding that they were undertaking the 'serve/instruct' function with respect to people corresponds with an increase in employment per enterprise as well.

**Table 32. Change in responsibilities of non-owners by city, before and after ESAP**

	Harare		Bulawayo		Gweru	
	Pre (%)	Post (%)	Pre (%)	Post (%)	Pre (%)	Post (%)
<b>Regarding people</b>						
Monitor and supervise	17.7	25	21.7	33.3	28.7	15.8
Serve/instruct	1.6	18.8	4.3	25.0	1.1	42.1
Both	80.6	56.2	73.9	41.6	70.0	42.1
Total	100.00	100.00	100.00	100.00	100.00	100.00
<b>Information</b>						
synthesize	6.3	12	11.4	6.7	13.0	11.1
Compile/compute	2.1	12	4.5	6.7	2.6	-
Copy/count	13.5	24	22.7	46.7	19.5	38.9
All	54.2	24	31.8	13.3	35.1	22.2
None	24.0	28	29.5	26.7	29.9	27.8
Total	100.00	100.00	100.00	100.00	100.00	100.00

The foregoing interpretations of the trend in work processes are also supported by the responses of workers interviewed. It may be expected that the increasing rationalization of work as suggested by the tendency toward an increasing division of labour would also restrict the freedom of workers. In general the responses of workers were such that the proportions increased of those who said that during the post-ESAP period they could not easily choose to work at their own pace, they could not easily choose the type of tasks to do, and could not undertake private work. Of interest also is the fact that while the majority said that they could have easily quit their jobs prior to ESAP, a majority now said that they could not easily do so in the post-ESAP period. About 83% of the respondents said that they could not easily quit their jobs primarily because there was a lack of alternative employment.

### **5.7 Production**

Table 33 shows the manner in which the trend in sales since ESAP has been viewed. The overwhelming majority, approximately 71 per cent of the respondents in all cities indicated that sales levels, and, therefore, production had decreased. About 60 per cent of the respondents who experienced declines indicated that the limited market was the major constraint, about 20 per cent indicated a financial constraint as a major impediment; and about 16 per cent indicated a capacity constraint. Of those that increased production and sales, who were a minority, 74 per cent claimed that they were able to achieve this increase by working harder, presumably by lengthening hours of

work per day or week about 15 per cent claimed they achieved this by redesigning their products. The case of Gweru is interesting in this latter respect with about 28 per cent of those experiencing increased in output and sales claiming this was due to redesigning their products.

**Table 33. Change in sales level following ESAP by city**

	Harare (n = 176) (%)	Bulawayo (n = 58) (%)	Gweru (n = 11 997) (%)	All (n = 357) (%)
Increased	17.0	8.6	14.3	14.6
Decreased	71.0	67.2	70.6	70.6
Constant	6.8	8.6	5.9	6.7
Varies	4.0	13.8	9.2	7.3
Don't know	1.1	-1.7	-	0.8
Total	100.0	100.0	100.0	100.0

**Table 34. Change in product quality, before and after ESAP**

	Harare		Bulawayo		Gweru		All	
	Pre %	Post %	Pre %	Post %	Pre %	Post %	Pre %	Post %
Good/very good	90.4	81.9	78.7	74.0	84.4	75.0	86.6	78.4
Average	7.5	15.3	21.3	17.9	12.8	22.5	11.5	18.0
Poor/very poor	2.1	2.8	-	8.1	2.8	2.5	2.9	4.6
Total	100.0	100.0	100.0	100.0	100.0	100.0	100.0	100.0

Table 34 shows that the majority of the respondents viewed their products as either good or very good but that the proportion viewing them thus after ESAP declined significantly. Thus for Harare the proportion fell from about 90 per cent to about 82 per cent, for Bulawayo from about 79 per cent to 74 per cent, for Gweru from about 84 per cent to 75 per cent and for all cities, from about 87 per cent to 78 per cent. The foregoing data suggests that there was a clear perception that the quality of products was being negatively, even if marginally, affected by the post-ESAP environment at the same time that sales were being seen to be declining as well.





**Table 36. Sources of main raw materials/intermediate inputs**

	Harare		Bulawayo		Gweru		All	
	Pre (%) (n= 88)	Post (%) (n= 105)	Pre (%) (n= 39)	Post (%) (n= 46)	Pre (%) (n= 79)	Post (%) (n= 89)	Pre (%) (n= 209)	Post (%) (n= 244)
Formal retail	34.1	35.2	35.9	32.6	50.6	48.3	41.6	40.6
Formal w/sale	35.2	30.5	35.5	35.9	32.9	33.7	34.0	32.4
Informal	18.2	20.0	23.1	23.9	5.1	5.6	13.9	15.2
Self-made	-	-	-	-	2.6	-	1.0	-
Self-collection	2.3	1.9	-	-	1.3	2.2	1.4	1.6
Private individual	3.4	5.7	2.6	4.3	5.1	5.6	3.8	5.3
Inherit/gift	-	-	-	-	-	-	-	-
other	6.8	6.7	2.6	2.2	2.6	4.4	4.3	4.9
Total	100.0	100.0	100.0	100.0	100.0	100.0	100.0	100.0

**5.8 Inputs: Fixed and intermediate/raw materials**

**Table 37. Supply status of fixed input before ESAP**

	Harare (n= 156) (%)	Bulawayo (n= 47) (%)	Gweru (n = 100) (%)	All (n = 307) (%)
Adequate	73.7	72.3	68.0	71.7
Inadequate	14.1	19.1	15.0	15.0
Varies	7.1	2.1	11.0	7.8
Don't know	5.1	6.4	5.1	5.5
Total	100.0	100.0	100.0	100.0

**Table 38. Supply status of raw materials/intermediate inputs before ESAP**

	Harare (n = 136) (%)	Bulawayo (n = 49) (%)	Gweru (n = 97) (%)	All (n = 286) (%)
Adequate	79.4	75.5	74.2	76.6
Inadequate	8.8	10.2	12.4	10.5
Varied	5.9	12.2	12.4	9.4
Don't know	5.9	2.0	1.0	3.5
Total	100.0	100.0	100.0	100.0

Respondents were requested to assess the trends in the sources and availability of fixed and raw material inputs before and after ESAP and the results are shown in Tables 35 to 42. Tables 35 and 36 illustrate a common characteristic of the urban informal sector in Zimbabwe whereby the majority of the inputs come from the formal sector, either through wholesale or retail purchases. The proportion of respondents sourcing fixed inputs from the formal sector was above 60 per cent for pre and post-ESAP periods in Harare and Gweru, while relatively low for Bulawayo. In the latter city, the proportion of respondents sourcing fixed inputs from the informal sector, at over 30 per cent compared to the significantly lower proportions for Harare and Gweru may reflect the availability of durable goods through cross-border informal trade from Botswana and South Africa since Bulawayo



is a gateway city in this regard. In effect, this informal source of fixed inputs most likely represents formal sector durable goods that are sold informally in Bulawayo.

**Table 39. Supply status of fixed inputs after ESAP**

	Harare (n = 159) (%)	Bulawayo (n = 52) (%)	Gweru (n = 101) (%)	All (n = 316) (%)
Increased	25.8	7.7	12.9	18.4
Decreased	45.3	44.2	38.6	43.0
Constant	26.4	44.2	40.6	33.9
Don't know	2.5	3.8	7.9	4.7
Total	100.0	100.0	100.0	100.0

**Table 40. Supply status of raw materials/intermediate inputs after ESAP**

	Harare (n = 143) (%)	Bulawayo (n = 54) (%)	Gweru (n = 102) (%)	All (n = 303) (%)
Increased	23.8	9.3	12.7	17.2
Decreased	45.5	64.8	61.8	54.8
Constant	27.3	22.2	23.5	25.1
Don't know	3.5	3.7	2.0	3.0
Total	100.0	100.0	100.0	100.0

Table 36 shows the respondents' sourcing of raw materials. Again, a similar trend is demonstrated whereby the majority of the respondents source their raw materials from the formal sector. Indeed the reliance on the formal sector as a source of raw material inputs is greater than that for fixed inputs. The earlier interpretation related to Bulawayo's relative reliance on the informal sector for fixed inputs is indirectly supported here in that the majority of Bulawayo respondents do indeed rely on the formal sector for raw material inputs since these are relatively more available in Zimbabwe than fixed inputs. It should be noted nevertheless that both fixed and raw materials products have a high import component in Zimbabwe. Tables 35 and 36 seem to suggest that the dependence on the formal sector for inputs is relatively inflexible or inelastic given that there are relatively insignificant changes between the pre and post-ESAP proportions indicating purchases from this source. It is important to underscore the significance of the informal sector's dependence for inputs on the formal sector. First, this dependence implies that production in the informal sector is highly influenced by trends in the formal sector, particularly as regards trends in formal sector output

and prices. Second, the dependence also implies that in order to guarantee profitability in the informal sector, the creation of value-added is important. And third, that the informal sector, given the high degree of homogeneity in its products and the high degree of competition in its marketing environment, cannot easily pass on any increases in prices to the consumer.

Now, the formal sector in Zimbabwe as noted earlier, has been plagued by declining output and increasing prices primarily as a consequence of increasing costs due to devaluation and tight money supply, increasing interest rates and shortages of foreign exchange. Devaluation has had a particularly telling impact given the high import dependency for critical inputs on the part of the formal sector. In the 1980's the share of imports in the total value of inputs in the formal sector was as follows:

	(%)
Foodstuffs	
Drink and tobacco	2.4
Textiles	24
Clothing and footwear	23
Wood and furniture	39
Paper and printing	14
Chemicals	24
Non-metallic minerals	52
Transport equipment	41
Other	60
	25.3

**Source:** World Bank Memorandum on Zimbabwe as in ILO/SATEP, p. 184.

From the above it may be noted that it is not only the degree of dependence on foreign inputs that matters but also the critical nature of the input for overall production. It is as a consequence of the combined effect of shortages of foreign exchange, increased cost of foreign inputs and domestic financing and the reduced demand for formal sector products that has resulted in low capacity utilization with increasing prices in the formal sector as shown below:

	Index Of volume			% working below capacity (1993)
	1980	1989	1993 (April)	
Foodstuffs	100	132	117	88
Drink and tobacco	100	114	73	96
Textiles	100	208	172	74
Clothing and footwear	100	138	123	83
Wood and furniture	100	85	87	54
Paper printing	100	132	139	87
Chemicals	100	146	118	80
Non-metallic	100	152	129	74
Metals	100	100	79	96
Transport equipment	100	147	98	81
Other manufacturing	100	83	62	62
All	100	131	107	86

**Source:** CSO, *Statistical Digest 1993, Business Trends Survey, 1993.*



**Consumer price index, 1990 = 100**

	Food	Drink and clothing	Clothing and footwear	Rent, rates fuel and power	Furniture and household stores	Medical care	Transport and communication	Recreation and entertainment	Education	All items
Weights	29.2	9.9	9.8	18.7	7.2	2.8	8.4	2.0	7.6	100.0
1990	100.0	100.0	100.0	100.0	100.0	100.0	100.0	100.0	100.0	100.0
1991	112.6	123.9	122.7	117.9	122.0	116.3	141.4	123.9	127.6	123.3
1992	192.7	188.2	161.5	150.2	163.0	144.4	193.8	169.1	191.6	175.2
11993 (Jan.)	246.6	218.7	177.7	186.3	179.9	160.9	298.9	188.3	196.3	206.9

**Note:** The column for 'miscellaneous goods and services' weighted 4.4. per cent has been excluded.

(i) The annual figures are averages of twelve monthly figures.  
(ii) The indices are inclusive of sales tax and excise duty.

**Source:** CSO, 1993.

The foregoing data are presented to demonstrate that the urban informal sector was likely to be adversely affected by the stagflationary trend in formal sector production precisely because of the informal sector's dependency on the formal sector.

**Table 41. Present trend in availability of fixed inputs (major) by city**

	Harare (n = 163) (%)	Bulawayo (n = 53) (%)	Gweru (n = 102) (%)	All (n = 322) (%)
Adequate	38.7	30.2	34.3	5.7
Inadequate	46.6	54.7	48.0	48.4
Varies	11.7	13.2	9.89	11.5
Don't know	3.1	1.9	7.8	4.3
Total	100.0	100.0	100.0	100.0

**Table 42. Present trend in supply of raw materials/intermediate inputs by city**

	Harare (n = 144) (%)	Bulawayo (n = 49) (%)	Gweru (n = 102) (%)	All (n = 304) (%)
Adequate	48.6	75.5	74.2	39.5
Inadequate	39.6	10.2	12.4	48.0
Varies	10.4	12.2	12.4	11.8
Don't know	1.4	2.0	1.0	0.7
Total	100.0	100.0	100.0	100.0

The overwhelming majority of the respondents noted the increase in costs of production, including the cost of transportation for inputs and themselves. The respondents were asked how they reacted to the cost increases in the post-ESAP compared to the pre-ESAP period. In the pre-ESAP period, 43 per cent of the respondents said they would have responded by absorbing the higher prices, and 34 per cent said they would have responded by partly absorbing the higher price and partly by increasing the prices of commodities. In the post-ESAP period, 47 per cent said they would absorb the increased cost and 22 per cent said they would partly absorb it and partly pass it on to consumers. The general view expressed was that increased costs of production were absorbed by the participants and could not easily be passed on to consumers.

Tables 37 and 38 show the pre-ESAP trends in the perceptions of the respondents regarding the availability of fixed and raw material inputs. It is worth noting that close to 72 per cent of the respondents, overall, indicated that they viewed the supply or availability of fixed inputs as adequate, and close to 77 per cent of all respondents viewed the supply of raw material inputs as adequate. Tables 39 and 40 show the responses with regard to the availability of the same categories of inputs in the post-ESAP period. From Table 39 may be noted the significant proportion of respondents indicating that the availability of fixed inputs decreased. However, when the proportions indicating that supplies remained constant and those indicating that supplies increased are added together it may

be concluded that for the majority of the respondents the supply of fixed inputs since ESAP has been viewed as adequate. The relatively large proportion indicating that fixed input supply has increased since ESAP may also be noted.

Table 40 shows the respondents' perception of post-ESAP trends in the availability of raw materials. Overall, about 55 per cent of the respondents viewed the post-ESAP supply of raw materials to have decreased, with more than 60 per cent of the respondents in Bulawayo and Gweru similarly indicating that raw material supplies have decreased. Again, Harare respondents stand out in that about 24 per cent of the respondents, compared to about 9 per cent in Bulawayo, and about 13 per cent in Gweru, said raw material supplies have increased. The Harare prominence in the relative proportion of respondents indicating that input supplies increased may reflect the relatively privileged status of this city with regard to economic activity, and by the same token, the relative salutary impact of ESAP measures on production.

Tables 41 and 42 show the respondents' perception of present trends in the availability of fixed and raw materials inputs by city. With regard to fixed inputs, it may be noted that only a minority of less than 36 per cent view the present supply as adequate, again, with Harare having a relatively higher proportion at almost 39 per cent. In general the majority consisting of more than 60 per cent of the respondents view the present supply of fixed inputs as inadequate or variable. The responses with regard to raw materials, as shown in Table 42 are varied with more than 70 per cent of the respondents in Bulawayo and Gweru indicating that they view the supplies as adequate and a lower but still sizeable percentage of about 49 per cent of the respondents in Harare indicating that supplies of raw materials were at present adequate. Indeed, Harare has the highest proportion (40 per cent) of respondents indicating that supplies of raw materials are inadequate. In general it may be concluded that the supply of raw materials and intermediate inputs is currently seen to be adequate while that of fixed inputs is seen to be inadequate.



**Table 43. Reaction to temporary and prolonged shortages of fixed inputs (%)**

	Temporary												Prolonged										
	Harare			Bulawayo			Gweru			All			Harare		Bulawayo		Gweru		All				
	Pre	Post		Pre	Post		Pre	Post		Pre	Post		Pre	Post		Pre	Post		Pre	Post			
Stop production resume later	50	49		46	37		31	27		43	41		36	35		21	30		32	34		31	32
Improvise inputs	8	9		12	10		24	19		14	14		17	14		21	11		22	17		20	13
Change type of products	2	3		4	2		7	5		4	4		1	2		2	-		12	13		5	5
Reduce output	2	3		7	7		6	5		4	5		-	1		5	11		4	3		2	4
Raise prices	2	5		4	5		1	-		4	3		6	6		-	5		-	3		2	5
Take off time look for another job	5	10		16	16		8	6		13	11		14	14		23	27		10	9		15	14
Take off time look for inputs	17	7		12	13		3	3		6	7		7	10		14	16		2	3		7	9
Change to another informal activity	4	10		-	10		10	9		7	10		13	15		12	27		12	9		19	15
Other	9	3		-	1		9	7		5	5		4	5		2	-		6	5		4	4
	100	100		100	100		100	100		100	100		100	100		100	100		100	100		100	100

**Table 44. Response\* to input shortages****(a) Fixed Inputs**

	Temporary						Prolonged									
	Harare		Bulawayo		Gweru		All		Harare		Bulawayo		Gweru		All	
	Pre	Post	Pre	Post	Pre	Post	Pre	Post	Pre	Post	Pre	Post	Pre	Post	Pre	Post
Stop production resume later	1	1	1	1	1	1	1	1	1	1	1	1	1	1	1	1
Improvise inputs	3	3	3	3	2	2	2	2	2	3	2-	2	2	2	2	4
Change type of products																
Reduce output																
Raise prices																
Take off time look for another job	-	2	2	2	-	-	-	-	3	3	-	-	-	-	4	3
Take off time look for inputs	2	-	3	3	-	-	-	3	-	-	-	-	-	-	3	-
Change to another informal activity	-	3	-	-	3	-	-	-	-	2	-	3	-	-	-	2
Other																

\* Up to three preferences, in that order.

**(b) Raw materials/intermediate inputs**

	Temporary						Prolonged									
	Harare		Bulawayo		Gweru		All		Harare		Bulawayo		Gweru		All	
	Pre	Post	Pre	Post	Pre	Post	Pre	Post	Pre	Post	Pre	Post	Pre	Post	Pre	Post
Stop production resume later	1	1	1	1	1	1	1	1	1	1	1	1	1	1	1	1
Improvise inputs			3	-										3	3	
Change type of products					3	3								3	2	
Reduce output																
Raise prices																
Take off time look for another job	2	2	3	2	-	-	2	2	2	2	2	2	2	-	-	3
Take off time look for inputs	-	3	2	3	-	-	-	-	-	-	3	3	-	-	-	-
Change to another informal activity	3	-	-	-	2	2	3	3	3	3	-	-	2	2	3	2
Other																

**Note:** 1 represents the selection with the highest percentage of respondents and 3 the lowest.

Respondents were asked to indicate what they have done when temporary or prolonged shortages of fixed and variable inputs occurred in the pre and the post-ESAP periods. The results are shown in Table 43 for fixed inputs. Table 44 shows the ranking of the pre-structured choices indicated by the respondents. It shows that the majority of the respondents would overwhelmingly stop production and resume later when they faced temporary and prolonged shortages of fixed and variable inputs. In the pre-ESAP period, the ranking of respondents' choices with regard to the shortage of fixed inputs is such that the second and third most common choices are to improvise or find another job, with the choice of another informal sector activity a close fourth. Nevertheless, for all cities, the proportion of respondents selecting the other choices other than stopping production is quite small. With regard to fixed input shortages the rankings of the distribution of respondents by choice of response is interestingly quite divergent. Thus while Bulawayo has a response structure similar to Harare's for the pre-ESAP 'temporary' and 'prolonged' shortages Gweru shows almost an even distribution among the choices of "stop production" (30 per cent), "look for another job" (27 per cent) and look for another informal activity (27 per cent). The response structure of Gweru to shortages of fixed inputs is particularly interesting in that the respondents' choices are restricted primarily to adjusting and adapting their behaviour within the context of the informal sector with a low preference for formal sector job search. For Gweru, with regard to both temporary and prolonged shortages of inputs, the second and third most popular choices relate to 'improvising', 'changing the product' or switching to another informal sector activity.

**Table 45. Reaction of owners to future prolonged shortages of inputs by city**

	Harare (%)	Bulawayo (%)	Gweru (%)	All (%)
Quit production, go to rural/urban areas	30.6	20.5	25.3	27.2
Quit production, work for formal jobs	6.9	11.4	13.7	9.9
Quit production, live with household	2.8	9.1	3.2	3.9
Change to another informal sector activity	47.9	34.1	40.0	43.1
Relocate to another urban area	5.6	20.5	11.6	9.9
Other	6.3	4.5	6.3	6.0
Total	100.0	100.0	100.0	100.05

For all the cities, however, the reaction to shortages, of raw materials is such that in the pre-ESAP period the second and third popular choices after "stopping production" are to "improvise" and "look for another job" respectively for both temporary and prolonged shortages. However, for the post-ESAP period, the second most common choice after stopping production is to switch to another





informal sector activity with "improvising" and "look for another job" as the third most popular choices. A more unequivocal structure of choices is given by Table 45 which shows the distribution of respondents with respect to prolonged future shortages of all inputs. Here it can be seen that the most popular preference is to remain in the urban informal sector by undertaking an alternative activity. By way of a general conclusion, the foregoing data, although rather ambiguous with regard to the ranking of responses other than the primary choice of temporarily stopping production, nevertheless indicate that the respondents are resigned to options within the informal sector and have generally lost hope in the prospects for formal sector employment in the face of shortages of inputs. There is also the suggestion that within the context of the informal sector, respondents might react to input shortages by creatively improvising with regard to tools and equipment and by changing the nature of the final product, both of which might be reinforced by the negative impact of ESAP measures.



**Table 46. Main customers of informal sector output, by city**

	Harare		Bulawayo		Gweru		All	
	Pre-ESAP (n= 153) (%)	Post-ESAP (n= 186) (%)	Pre-ESAP (n= 48) (%)	Post-ESAP (n= 57) (%)	Pre-ESAP (n= 112) (%)	Post-ESAP (n= 120) (%)	Pre-ESAP (n= 317) (%)	Post-ESAP (n= 367) (%)
Private individuals	88.2	89.2	95.8	96.5	85.7	91.7	88.6	91.3
Business	3.3	2.7	4.2	3.5	6.3	3.3	4.4	3.0
Government	-	-	-	-	1.8	-	0.6	1.9
Other informal sector	2.0	1.6	-	-	3.6	3.3	2.2	3.3
Tourists	6.5	6.5	-	-	2.7	1.7	4.1	0.5
<b>Total</b>	100.0	100.0	100.0	100.0	100.0	100.0	100.0	100.0

**Table 47. Reasons why customers purchase informal sector product/service**

	Harare			Bulawayo			Gweru			All						
	Pre-ESAP		Post-ESAP	Pre-ESAP		Post-ESAP	Pre-ESAP		Post-ESAP	Pre-ESAP		Post-ESAP				
	n	(%)	n	(%)	n	(%)	n	(%)	n	(%)	n	(%)				
Lowprice	115	61.2	132	70.2	33	55.9	39	66.1	78	63.4	82	66.7	230	61.5	256	68.4
Goodquality	69	36.7	82	43.6	30	50.8	34	57.6	55	44.7	62	50.4	156	41.7	179	47.8
Gooddesign	42	22.3	50	26.6	15	25.4	18	30.5	29	23.6	35	28.5	86	23.0	103	27.5
Availability	74	39.4	78	41.5	20	33.9	22	37.3	29	23.6	27	22.0	123	32.9	127	34.0
Durability	26	13.8	32	17.0	16	27.1	15	25.4	12	9.8	13	10.6	54	14.4	60	16.0
Credit/ lay-by	39	20.7	40	21.3	11	18.6	14	23.7	21	17.1	27	22.0	71	19.0	81	21.7
Bargaining	51	27.1	59	31.4	21	35.6	28	47.5	28	22.8	31	25.2	102	27.3	120	32.1
Other	15	8.0	12	6.4	7	11.9	7	11.9	4	3.3	4	3.3	26	7.0	23	6.1

**Note:** Percentages show the proportion of total respondents citing a particular reason with each respondent requested to list more than one reason in order of importance.

**Table 48. Distribution of informal sector (individual) customers, by city and residence**

	Harare				Bulawayo				Gweru				All			
	Pre-ESAP		Post-ESAP		Pre-ESAP		Post-ESAP		Pre-ESAP		Post-ESAP		Pre-ESAP		Post-ESAP	
	n	(%)	n	(%)	n	(%)	n	(%)	n	(%)	n	(%)	n	(%)	n	(%)
High density	121	66.1	145	79.2	55	84.6	61	93.8	94	77.7	102	84.3	273	73.0	312	83.4
Middle density	43	23.5	48	26.2	20	30.8	22	33.8	37	30.6	38	31.4	102	27.3	109	29.1
Low density	35	19.1	40	21.9	20	30.8	22	33.8	39	32.2	48	39.7	95	25.4	110	29.4
Peri-urban	25	13.7	30	16.4	11	16.9	11	16.9	12	9.9	14	11.6	48	12.8	56	15.0
Rural	18	9.8	22	12.0	11	16.9	10	15.4	38	31.4	38	31.4	67	17.9	70	18.7

**Note:** Respondents were requested to rank their choices so that percentages shown above indicate the proportion that selected a particular residence as ranking first. The percentages are thus not expected to add to 100.

### **5.9 Customers**

Table 46 shows the respondents' perceptions of who their main customers are. The overwhelming majority (more than 85 per cent) indicated that in both the pre and post-ESAP period their main customers have been private individuals. Nevertheless, from the table, it can be seen that there has been a marginal increase for all cities in the proportion of respondents citing private individuals as their main customers from the pre to the post-ESAP period. This increase seems to have been at the expense of business and tourist demand, both of which decreased marginally. Table 47 shows the respondents' view of why the customers purchase their products. The table shows that "low price" was the most commonly cited response by more than 60 per cent of the respondents. Further, the percentage citing this reason for the post-ESAP period increased from the pre-ESAP period for all cities. From Tables 48, 49 and 50 it may be seen that the respondents primarily view their customers as low income blacks residing in high density areas, where the majority of the urban informal sector activities are indeed situated. The pre- and post-ESAP responses seem to suggest that the percentage of respondents seeing their main customers as low income blacks in high density suburbs has increased in the post-ESAP period. In general the tasks seem to suggest that the proportion of respondents citing high income groups by residence, income or racial grouping has either remained the same or only increased marginally.





**Table 49. Distribution of informal sector (individual) customers, by city and income group**

	Harare		Bulawayo		Gweru		All	
	Pre-ESAP	Post-ESAP	Pre-ESAP	Post-ESAP	Pre-ESAP	Post-ESAP	Pre-ESAP	Post-ESAP
	n (%)	n (%)	n (%)	n (%)	n (%)	n (%)	n (%)	n (%)
Low income	109 59.6	132 72.1	46 70.8	51 78.5	89 73.6	92 76.0	248 66.3	280 74.9
Middle income	68 37.2	76 41.5	25 38.5	29 44.6	68 56.2	73 60.3	162 43.3	179 47.9
High income	33 18.0	40 21.9	23 35.4	25 38.5	36 29.8	41 33.9	93 24.9	106 28.3

**Note:** The percentages shown the frequency with which respondents cities each income group and do not therefore add up to 100 per cent and the sum of the N's is thus greater than the total number of respondents.



**Table 50. Distribution of informal sector (individual) customers, by city and race**

	Harare		Bulawayo		Gweru		All	
	Pre-ESAP	Post-ESAP	Pre-ESAP	Post-ESAP	Pre-ESAP	Post-ESAP	Pre-ESAP	Post-ESAP
	n (%)	n (%)	n (%)	n (%)	n (%)	n (%)	n (%)	n (%)
Blacks	126	143	51	55	93	100	274	303
	68.9	78.1	78.5	84.6	76.9	82.6	73.3	81.0
Coloureds	21	22	14	13	21	28	59	65
	11.5	12.0	21.5	20.0	17.4	23.1	15.8	17.4
Asians	16	15	11	9	13	16	40	40
	8.7	8.2	16.9	13.8	10.7	13.2	10.7	10.7
Whites	41	35	17	16	22	23	81	75
	22.4	19.1	26.2	24.6	18.2	19.0	21.7	20.1

**Note:** The percentages only show the frequency with which each racial group was cited in the rankings and do not therefore add up to 100 per cent and the sum of the N's above are thus greater than the total number of respondents.



The foregoing findings were supported by the results of the purchaser demand survey which showed that, overall, 83 per cent of the purchasers were from high density suburbs and largely of low and middle income, as shown in Table 51. This table also shows that a sizeable proportion of the purchaser respondents found the occupation category as inapplicable perhaps suggesting that they were primarily either unemployed or in the informal sector. Table 52 shows that the most commonly purchased products are food items which about 47 per cent of the purchaser respondents cited. From the purchaser demand survey it was found that 41 per cent of the respondents indicated a lower price as the main reason, from among the given choices, for purchasing the informal sector products as shown in Table 53. However, about 51 per cent cited 'other' reasons including easy access and availability, which suggests that informal sector products enjoy some locational advantages, given the long distances to formal sector shopping centres within the sprawling high density suburbs, and their distance away from the central business districts.

**Table 51. Distribution of buyers of informal sector output, by source**

	Harare	Bulawayo	Gweru	Total
<b><i>Residence of purchaser</i></b>	(150)	(96)	(21)	(267)
High density	83.3	84.4	76.2	83.1
Peri-urban	2.0	6.3	4.8	3.7
Rural community	-	-	9.5	0.7
Central business district (8)	-	5.2	-	1.9
<b><i>Household status</i></b>				
Parent	66.0	61.7	90.5	66.4
Dependent	34.0	37.2	9.5	33.2
<b><i>Gender of purchaser</i></b>				
Male	36.4	59.1	65.0	46.9
<b>Female</b>	63.6	40.9	35.0	53.1

**Source:** Purchaser demand survey.



**Table 52. Type of product/service purchased from the informal sector**

Product/service	Harare (100)	Bulawayo (100)	Gweru (100)	All (100)
Food product	50.0	41.7	47.4	46.8
Textile products	6.8	8.3	-	6.8
Leather products	-	2.1	5.3	1.1
Wood products (furniture)	9.5	14.6	10.5	11.4
Wood products	0.7	1.0	-	0.8
Plastic products	1.4	-	-	0.8
Metal implements	2.7	3.1	-	1.9
Stone crafts	6.1	2.1	-	2.3
Grass & reed crafts	4.1	3.1	10.5	5.3
Repair services	17.6	4.2	21.1	5.3
Construction services	-	2.1	5.3	0.8
Other	-	16.7	-	16.3

**Table 53. Reason for purchase of informal sector product/service**

Reason for purchase	Harare	Bulawayo	Gweru	Total
Lower price	35.0	45.0	63.2	41.0
Better quality	2.4	2.5	-	2.3
Better design	1.0	2.2	5.3	1.4
Better service	4.9	1.3	-	0.9
More cleanliness	1.6	-	-	0.9
Other	54.4	48.8	31.6	50.5
	100.0	100.0	100.0	100.0



Table 54 shows the purchasers' reasons for not purchasing formal sector products. The overwhelming majority (about 77 per cent) of the purchasers cited the higher price of formal sector products as the main reason. This table also shows that the price factor is much more of a significant factor in relation to durable products and much less so in relation to food products. As noted earlier, ease of availability is perhaps a significant factor in the purchase of food products as indicated by the fact that about 24 per cent of the respondents purchasing food products indicated 'other' reasons, of which ease of availability was the most common response. The data in Table 55 is also interesting in that while the purchasers' responses suggest that informal sector durable products are preferred for their relatively lower prices, most such products are produced with inputs primarily from the formal sector whose prices have been increasing since ESAP. A question thus arises as to how informal sector producers manage to maintain lower prices relatively. This issue will be explored further below in a later section.



**Table 54. Type of product purchased by reasons for not purchasing formal sector product or service**

Type of product	Reasons for not purchasing formal sector products					
Row PCT Col PCT	Higher price	Poor quality	Poor design	Poor services	Other	Row total
Food Products	66.7 39.1	2.9 37.5	1.0 100.0	5.9 46.2	23.5 77.4	102.0 44.9
Textile Products	88.2 8.6	5.9 12.5	- -	- -	5.9 3.3	17.0 7.5
Leather Products	100.0 1.7	- -	- -	- -	- -	3.0 1.3
Wood Products (Furniture. etc)	93.1 15.5	3.4 12.5	- -	- -	3.4 3.3	29.0 12.8
Wood Products	100.0 0.6	- -	- -	- -	- -	1.0 0.4
Plastic Products	100.0 1.1	- -	- -	- -	- -	2.0 0.9
Metal Implements	75.0 1.7	25.0 12.5	- -	- -	- -	4.0 1.8
Stone Crafts	100.0 2.3	- -	- -	- -	- -	4.0 1.8
Grass and Reed Crafts	81.8 5.2	9.1 12.5	- -	- -	9.1 3.3	11.0 4.8
Repair Services	85.7 6.9	7.1 12.5	- -	- -	7.1 3.3	14.0 6.2
Construction Services	100.0 1.1	- -	- -	- -	- -	2.0 0.9
Other	75.7 16.1	- -	- -	18.9 53.8	8.1 10.0	37.0 16.3
Column Total	174.0 76.7	8.0 3.5	1.0 0.4	13.0 5.7	31.0 13.6	227.0 100.0

Data based on the household survey of demand also confirms the importance of food as a primary purchase from the informal sector in both pre and post-ESAP periods. Textile and wood products (furniture) are the second most important purchases; while the third and fourth choices are spread over leather products, wood products (furniture mainly), grass and reed crafts and repair services. The data do not reveal any particular pattern in the pre and post-ESAP responses.

The survey also shows that in both the pre and post-ESAP periods the households surveyed primarily purchased informal sector food products for their relatively lower prices and ease of availability. More specifically, while the proportions citing lower prices as the attraction of informal sector products remained relatively unchanged in pre and post-ESAP periods, there was a marked increase in those indicating ease of availability, from 19 per cent in the pre-ESAP periods, to about 28 per cent in the post-ESAP period; by contrast, however, the percentages of those indicating uniqueness of the food product as the attraction of informal sector products declined overall from about 11 per cent in the pre-ESAP period to about 6 per cent in the post-ESAP period.

Ease of availability seems to be the major reason for the purchase of textiles and wood furniture. Nevertheless in the post-ESAP period the percentages indicating ease of availability decreased in All the cities from an overall 45.2 per cent to 37.8 per cent while those purchasing the products because of their lower prices increased from 13.1 per cent to about 19 per cent from the pre to the post-ESAP period. Indeed, the disaggregated percentages for Harare and Gweru show marked increases from about 10 per cent to 13 per cent for the former and from about 18 per cent to about 37 per cent for the latter between the pre and post-ESAP periods. In the third set of preferred products which are miscellaneous durable products the data show that while in the pre-ESAP period lower prices were a significant attraction, this has declined markedly from an overall 15 per cent of the respondents citing lower prices in the pre-ESAP period to about 9 per cent in the post-ESAP period. More generally, the survey shows that for this group of products, good quality and ease of availability have become the main attractions for about 26 per cent and 30 per cent, of the household purchaser respondents, respectively.

Generally, then, the foregoing findings suggest that, on the one hand, the major product category in urban informal sector is preferred primarily for its relatively lower prices and for its ease of accessibility. On the other hand, the other products are preferred for a variety of reasons other than a lower price, such as ease of availability, good quality or uniqueness. Further the data suggests that for the primary purchase, which is food, the prices of food items and relative accessibility, which is influenced by increasing transportation cost to from the formal sector shopping areas, are likely to be important determinants of future demand during ESAP; and that the substitution effect, as determined by the relative prices of formal and informal sector durable goods, is likely to be an important factor for the rest of the informal sector products.

### **5.10 Degree of competition**

The respondents' perception of the degree of competition is shown in Tables 55, 56 and 57. Table 55 shows that prior to ESAP the majority of the informal sector participants viewed the competition from fellow participants on site as "just right" or consisting of "too few sellers". In other words, prior to ESAP the competition was not viewed as fierce by about 71 per cent of the respondents. After ESAP, however, 65 per cent of the respondents viewed the market as saturated by too many sellers of a similar commodity at the enterprise site. The foregoing trends are replicated by the respondents' view of the nature of the competition in the city as a whole as shown in Table 56. An interesting phenomenon here is that the pre-ESAP responses are almost equally divided between those that saw the competition as consisting of too many sellers (about 38 per cent) and those that saw the competition as "just right" (about 40 per cent). Nevertheless, the post-ESAP view is less unequivocal with 74 per cent of the respondents indicating that, in their view, there were too many informal sector sellers of similar commodities in the city.



**Table 55. Competition within and around enterprise site: Perception of informal sector sellers of similar commodity**

	Harare		Bulawayo		Gweru		All	
	Pre-ESAP (n= 159) (%)	Post-ESAP (n= 181) (%)	Pre-ESAP (n= 52) (%)	Post-ESAP (n= 60) (%)	Pre-ESAP (n= 106) (%)	Post-ESAP (n= 117) (%)	Pre-ESAP (n= 322) (%)	Post-ESAP (n= 363) (%)
Too many sellers	23.9	66.9	32.7	66.7	33.0	60.7	29.5	65.0
Too few sellers	33.3	9.9	11.5	10.0	14.2	6.8	23.0	8.8
Just right	42.7	23.2	55.8	23.3	52.8	32.5	47.5	26.2
Total	100.0	100.0	100.0	100.0	100.0	100.0	100.0	100.0

**Table 56. Competition in the city: Perception of informal sector sellers of similar commodity**

	Harare		Bulawayo		Gweru		All	
	Pre-ESAP (n= 159) (%)	Post-ESAP (n= 180) (%)	Pre-ESAP (n= 52) (%)	Post-ESAP (n= 60) (%)	Pre-ESAP (n= 105) (%)	Post-ESAP (n= 116) (%)	Pre-ESAP (n= 320) (%)	Post-ESAP (n= 361) (%)
Too many sellers	33.3	78.3	35.3	75.0	42.9	65.5	37.8	74.0
Too few sellers	28.9	3.3	13.7	5.0	16.2	6.9	21.9	4.7
Just right	37.7	18.3	51.0	20.0	41.0	27.6	40.3	21.3
Total	100.0	100.0	100.0	100.0	100.0	100.0	100.0	100.0

**Table 57. Locational ("agglomeration") disadvantages facing the informal sector**

	Harare			Bulawayo			Gweru			All						
	Pre-ESAP		Post-ESAP	Pre-ESAP		Post-ESAP	Pre-ESAP		Post-ESAP	Pre-ESAP		Post-ESAP				
	n	(%)	n	(%)	n	(%)	n	(%)	n	(%)	n	(%)				
Stiff competition	89	48.4	109	59.2	40	63.5	44	69.8	67	54.9	82	67.2	199	53.2	238	63.6
Inadequate space	37	20.1	37	20.1	20	31.7	22	34.9	19	15.6	24	19.7	77	20.6	91	24.3
Few customers	76	41.3	100	54.3	27	42.9	32	50.8	55	45.1	65	53.3	161	43.0	201	53.7
Stiff copying	32	17.4	36	19.6	13	20.6	14	22.2	22	18.0	28	23.6	69	18.4	80	21.4
No security	15	8.2	17	9.2	10	15.9	12	19.0	10	8.2	13	10.7	35	9.4	42	11.2
Too congested	29	15.8	41	22.3	18	28.6	21	33.3	17	13.9	20	16.4	65	17.4	83	22.2

**Note:** For both D4 and D5, "n" stands for the sample size of respondents affirming. The "%" refers to the percentage of "n" in relation to the sample size that responded to the variable in the question.

The foregoing results are reinforced further by the findings in Table 57, which shows the respondents' view of various pre-selected disadvantages of which they were asked to indicate more than one they viewed as important. It is clear from the table that "stiff competition" and "few customers" were the most commonly indicated constraints in both the pre and post-ESAP periods. However, the table also shows that the percentage of respondents indicating stiff competition as a major locational constraint increased from about 53 per cent in the pre-ESAP period to about 64 per cent in the post-ESAP period. Similarly, those indicating "too few sellers" increased from 43 per cent in the pre-ESAP period to about 54 per cent in the post-ESAP period. Table 58 shows the respondents' view of competition from the domestic and external (imports) formal sectors. It may be noted, first, that in the pre-ESAP period the largest percentage of respondents viewed competition from the domestic formal sector and from imports as ranging from moderate to strong. Thus, about 68 per cent and about 62 per cent of the respondents viewed competition from the domestic formal sector and from imports respectively, as moderate to strong during the pre-ESAP period. With the advent of ESAP and the relative liberalization of both domestic and foreign trade, the overall consequence has been such that almost the same proportion of respondents (69 per cent) view the competition from the domestic formal sector as moderate to strong but the proportion of respondents similarly viewing competition from imports decreases from 62 per cent to about 46 per cent. Indeed, with regard to the latter, overall, the proportion viewing the competition as weak or non-existent increases from 38 per cent to about 54 per cent. This result perhaps reflects the impact of ESAP measures on the formal sector in that imports become prohibitively expensive for low income groups as a consequence of devaluation while ESAP simultaneously liberalizes the access of the formal sector to imports. In other words, imports are quite out of reach of the primary market consumers of informal sector products, who are generally of low income, and whose consumption basket mostly consists of basic necessities.

**Table 58. Nature of formal sector competition**

	Strong	Moderate	Weak	None	Total
<b>Harare</b>					
<i>Domestic (%)</i>					
Pre-ESAP (n= 163)	44.8	23.3	22.7	9.2	100.0
Post-ESAP (n= 84)	54.8	13.1	19.0	13.1	100.0
<i>Imports (%)</i>					
Pre-ESAP (n= 136)	54.4	14.0	22.8	8.8	100.0
Post-ESAP (n= 49)	36.7	10.2	28.6	24.5	100.0
<b>Bulawayo</b>					
<i>Domestic (%)</i>					
Pre-ESAP (n= 52)	48.1	28.8	11.5	11.5	100.0
Post-ESAP (n= 56)	54.0	20.0	14.0	12.0	100.0
<i>Imports (%)</i>					
Pre-ESAP (n= 32)	37.5	12.5	6.3	43.8	100.0
Post-ESAP (n= 32)	34.4	9.4	6.3	50.0	100.0
<b>Gweru</b>					
<i>Domestic (%)</i>					
Pre-ESAP (n= 101)	34.7	25.7	21.8	23.3	100.0
Post-ESAP (n= 73)	42.5	26.0	8.2	23.1	100.0
<i>Imports (%)</i>					
Pre-ESAP (n= 78)	33.3	23.1	20.5	45.5	100.0
Post-ESAP (n= 44)	31.8	15.9	6.8	12.2	100.0
<b>All</b>					
<i>Domestic (%)</i>					
Pre-ESAP (n= 320)	42.5	24.7	20.6	12.2	100.0
Post-ESAP (n= 211)	50.2	19.0	14.7	16.1	100.0
<i>Imports (%)</i>					
Pre-ESAP (n= 248)	45.2	16.9	20.2	17.7	100.0
Post-ESAP (n= 127)	34.6	11.8	15.7	37.8	100.0

Thus from the data it may be concluded that the urban informal sector respondents appear to be confronted by increasing competition, first, from fellow participants as a consequence of lateral expansion, and second from the domestic formal sector as a consequence of liberalization. It may also be noted that given the high import dependency of the domestic formal sector, from which urban informal sector inputs are sources particularly the industrial or manufacturing sector the competition from imports may be somewhat indirect.

In general, the informal sector respondents saw the competitive advantage of the formal sector as arising from the better location of the formal enterprises, the better quality of the formal sector goods and their lower prices in both pre and post-ESAP periods.

The study attempted to assess the nature of the formal sector industry linkages with the urban informal sector but the results were not particularly useful, primarily as a consequence of a lack of co-operation from the enterprises. In any case, the firms surveyed were primarily wholesale and retail. In general, the responses indicated that the formal sector enterprises responding sold final



intermediate goods to the whole range of informal sector activities but purchased little from them. In their view, the main desired changes in informal sector production related to the need for greater uniformity and better quality of products, and greater reliability in supply as their most important recommendations. The few firms that responded expressed an interest in future purchases from the informal sector if only some of the existing deficiencies, such as those cited above were resolved.

### **5.11 Incomes**

As is well-known in studies of the urban informal sector, monetary data arrived at through interviews are generally erratic, inconsistent and unreliable. An attempt was made to solicit information on costs, revenue and profits but the responses were generally conflicting and the standard deviations quite large. Nevertheless, some general indication of the financial status of the informal sector participants interviewed is given in the following tables. As a general indication of financial status, revenue data may be chosen, for which the results by activity for the pre and post-ESAP periods are shown in Table 59 except for one or two cases for which revenues have been constant, the change in revenue between the pre and post-ESAP period is either negative or positive, but below the percentage increase in inflation of about 140 per cent between 1990 and December 1992 while the average increase in revenue was 91 per cent over the period. Now since both the major inputs and consumption purchases of urban informal sector participants come from the formal sector, it can be concluded that real incomes declined over the ESAP period.

**Table 59. Average sales value by activity (Z\$ per month)**

	Harare		Bulawayo		Gweru	
	Pre	Post	Pre	Post	Pre	Post
Food products	235	501	178	231	163	221
Textile	568	439	700	325	320	488
Leather	181	314	-	-	200	349
Wood furniture	967	759	3 963	2 908	222	252
Wood products	391	308	1 300	667	190	353
Plastic products	-	-	-	-	-	-
Metal furniture	10 622	35	15 100	1 024	1 667	2 115
Metal implements	780	13 409	-	-	648	463
Metal crafts	700	1 499	369	289	866	2 105
Stone crafts	445	388	600	600	350	200
Grass and reed crafts	617	853	-	-	56	108
Repairs and services	818	3 720	1 193	6 696	400	586
Construction	217	1 147	-	-	285	1 545
Others	481	989	730	439	344	766
All	691	1 320	1 829	2 309	338	587
All % change in sales post over pre		+ 91%		+ 26%		+ 73 %

**Note:** % change in prices 1990 to April 1993: + 107 per cent.

The impact of ESAP on the financial status of the informal sector participants interviewed can also be deduced from an analysis of the relative financial status of the activities grouped by pre and post-ESAP date of establishment. Tables 60 and 61 show the results pertaining to monthly revenue, and "net profit". With regard to revenue, the post-ESAP establishments show an average revenue that is 87 per cent of the older establishments; and similarly with respect to "net profit", the post-ESAP establishments show an average "net profit" that is 83 per cent of that of the older establishments. The foregoing results, to the degree that they have some validity, suggest that the newer establishments are not necessarily the more profitable, and indeed that the newer urban informal sector entrants may be engaging in more marginal activities, prone to lateral expansion.

Tables 62 to 64 shed more light on the impact of ESAP on wages and earnings in the informal sector especially in relation to alternative earnings in the formal sector. In general the average 'net profit' earnings as shown in Table 62 are higher for the more complex activities and lower for easy-entry activities. Tables 63 and 64 respectively show average monthly cash wages by activity and by city, for different categories of workers. Tables 63 and 64 show that the trend in cash wages has been rather uneven with some increasing, others declining and still others remaining constant. A casual inspection of the data in Table 64 shows that employee wages did not change much between the pre and the post ESAP periods and may have indeed declined in real terms.

**Table 60. Post-ESAP monthly revenue by enterprise age group (Z\$ per month)**

	Mean	SD	N
0 to 3 years old	2 244	2 860	79
4 and more years old	2 565	4 762	191
All	2 471	4 291	270

**Table 61. Post-ESAP monthly net profit by enterprise age group (Z\$ per month)**

	Mean	SD	N
0 to 3 years old	889	1 541	50
4 and more years old	1 075	2 634	134
All	1 024	2 384	184



**Table 62. Post ESAP monthly net profit by primary activity (Z\$/month)**

		Mean	SD	N
Food products	1 078	(798)	1 827	49
Textile products	437	(323)	591	14
Leather products	450	(333)	329	9
Wood products (furniture, etc)	467	(346)	619	12
Wood products	2 204	(1 659)	2 749	6
Plastic products	8	(59)	0	1
Metal furniture	816	(604)	599	4
Metal implements	1 190	(881)	1 345	10
Metal crafts	551	(408)	371	5
Stone crafts	358	(265)	225	5
Grass and reed crafts, etc.	924	(684)	981	4
Repairs and services	910	(674)	1 343	14
Construction	8 940	(6 622)	1 343	3
Other	860	(637)	2 036	53
All	1 007	(745)	2 355	189

**Note:** Net profit per participant in brackets ( ).

**Table 63. Monthly cash wages by activity (Z\$)**

	Family member		Part-time hired		Full-time		Apprentice	
	Pre	Post	Pre	Post	Pre	Post	Pre	Post
Food products	135	174	200	198	119	138	-	-
Textile products	675	575	-	-	225	293	-	-
Leather products	160	200	-	-	270	238	-	-
Wood products (furniture, etc.)	270	195	80	80	245	331	-	-
Wood products (crafts, etc.)	-	250	365	665	-	-	-	-
Plastic products	-	-	-	-	-	-	-	-
Metal furniture	240	-	240	-	195	225	-	-
Metal implements	300	357	280	280	270	400	-	400
Metal crafts	-	-	65	65	140	250	-	-
Stone crafts	-	425	213	425	-	-	-	-
Grass and reed crafts	-	-	-	-	-	100	100	-
Repair services	319	350	160	256	208	250	-	-
Construction	375	400	280	251	375	718	-	250
Other	333	210	450	293	359	341	513	163

**Table 64. Average monthly wages (Z\$)**

	Paid family		Part-time hired		Full-time		Apprentice labour	
	Pre	Post	Pre	Post	Pre	Post	Pre	Post
Harare	453 (8)	345 (15)	254 (9)	281 (16)	268 (28)	216 (35)	95 (2)	245 (3)
Bulawayo	273 (6)	290 (6)	148 (4)	248 (5)	233 (8)	1 017 (9)	250 (1)	250 (1)
Gweru	187 (6)	260	231 (8)	419 (8)	269 (19)	828 (21)	-	150
All	319 (20)	310 (29)	224 (18)	296 (25)	263 (55)	632 (65)	147 (3)	228 (5)

**Note:** Number of respondents is in brackets ( ).





### **5.12 Harassment by public officials**

A commonly held view is that the urban informal sector participants are frequently harassed by officials. The findings of this study contradict this view, as shown by the data in Tables 65(a) and 65(b). In both the pre and post-ESAP periods more than 60 of the respondents indicated that they were not harassed by public officials. Table 66 shows that the informal sector participants attempt to rely on various methods of compliance in order to ensure legal use or approval for use of amenities. In this respect lobbying, payment of rates, and compliance with sanitary requirements in that order appear the most common methods. It is interesting also that a sizeable proportion of respondents comply by changing sites.



**Table 65(a). Extent of harassment from city government in the pre-ESAP period**

	Harare			Bulawayo			Gweru			All		
	Yes %	No %	N/A %	Yes %	No %	N/A %	Yes %	No %	N/A %	Yes %	No %	No %
Sanitary conditions	18.5	69.4	12.1	27.5	62.5	10.0	21.3	65.0	13.8	21.1	66.7	12.2
Activity location	20.2	70.2	9.7	36.6	56.1	7.3	13.5	75.7	10.8	20.8	69.6	9.6
Access to water	7.1	76.1	16.8	18.4	73.7	7.9	5.6	77.5	16.9	8.5	76.2	15.2
Access to electricity	2.9	75.2	21.9	9.4	78.1	12.5	4.8	77.4	17.7	4.5	76.5	19.0
Payment of rates	8.3	75.2	16.5	22.6	61.3	16.1	25.3	62.7	12.0	16.7	68.5	14.8

**Table 65(b). Extent of harassment from city government in the post-ESAP period**

	Harare			Bulawayo			Gweru			All		
	Yes %	No %	N/A %	Yes %	No %	N/A %	Yes %	No %	N/A %	Yes %	No %	N/A %
Sanitary conditions	26.1	58.8	15.6	24.5	69.3	8.2	21.2	67.1	11.8	24.5	62.8	12.8
Activity location	19.9	67.8	12.3	32.7	61.2	6.1	13.4	76.8	9.8	20.4	69.2	10.2
Access to water	8.1	71.1	20.7	17.8	75.6	6.7	6.4	79.5	14.1	9.2	74.6	16.2
Access to electricity	3.9	69.3	26.8	10.3	76.9	12.8	5.9	77.9	16.2	5.5	73.3	21.2
Payment of rates	8.4	69.5	22.1	17.9	66.7	15.4	22.2	67.9	9.9	14.6	68.4	16.6

**Table 66. Informal sector's response to city government regulations**

	Harare		Bulawayo		Gweru		All	
	Pre-ESAP	Post-ESAP	Pre-ESAP	Post-ESAP	Pre-ESAP	Post-ESAP	Pre-ESAP	Post-ESAP
Lobby (group) for favourable treatment	34.1	32.1	24.5	25.5	24.7	25.0	29.2	28.9
Comply by changing site	9.5	10.9	20.4	20.0	20.2	18.0	15.4	14.9
Comply by ensuring sanitation	25.4	23.1	10.2	12.7	13.5	11.0	18.7	17.5
Comply by paying rates	15.9	15.4	32.7	25.5	26.0	28.0	25.5	24.1
Bribe officials	0.8	1.3	-	-	1.1	3.0	0.7	1.6
Ignore	14.3	17.3	12.2	16.4	4.5	5.0	10.5	13.0
All	100.0	100.0	100.0	100.0	100.0	100.0	100.0	100.0

### **5.13 Future plans and assistance needed**

Table 67 shows that the majority of the respondents would like to expand their activities. The largest proportion of the respondents comprising about 35 per cent would like to expand by acquiring more equipment and employing more labour; and about 28 per cent would like to expand by acquiring more space. It is interesting that only a small proportion comprising less than 10 per cent would wish to expand by employing more labour only. It appears that acquisition of equipment and employment of additional labour are seen as complementary by a sizeable group of respondents which suggest the need for relatively large outlays of capital in order to expand. Indeed, the foregoing future plans are reflected in the type of assistance needed from government as shown in Table 68. Here it may be seen that the largest proportion of respondents would wish to be assisted in form of the provision of working capital and amenities. It is also of interest that about 20 of the respondents would wish to be assisted in production and management skills training.

**Table 67. Future plans of the owners of informal sector enterprises**

	Harare (n= 154)	Bulawayo (n= 45)	Gweru (n= 110)	All (n= 312)
No change	16.9	11.1	19.1	16.7
Employ more labour	5.2	6.7	9.1	6.7
Acquire more equipment	8.4	22.2	19.1	14.4
Acquire more space	37.0	22.2	16.4	27.6
Acquire more equipment and labour	32.5	37.8	36.4	34.6
Total	100.0	100.0	100.0	100.0

**Table 68. Types of assistance sought by the informal sector**

	Harare		Bulawayo		Gweru		All	
	n	%	n	%	n	%	n	%
None	21	11.2	10	16.9	13	10.6	44	11.8
Repeal location regulations	41	21.8	11	18.6	13	10.6	65	17.4
Repeal sanitary regulations	15	8.0	6	10.2	3	2.4	24	6.4
Provide amenities	81	43.1	25	42.4	37	30.1	145	38.8
Working capital	112	59.6	25	42.4	71	57.7	212	56.7
Production skills/training	43	22.9	12	20.3	20	16.3	77	20.6
Management skills/training	41	21.8	10	16.9	22	17.9	75	20.1
Product design/marketing training	29	15.4	12	20.3	17	13.8	58	15.5

#### **5.14 Retrenchees**

The study interviewed a sample of former workers from the formal sector who had recently joined the informal sector. The majority of these recent entrants, comprising about 91 per cent had been retrenched and 61 per cent of them without compensation. The average age of the retrenchees was about 29 years with that of females lower at 26 years of age. The retrenchees came from an average household size of about 6 people and had worked on their former hobs for about 2.7 years before being retrenched. The majority of the early retrenchees so far have thus been youthful workers, about 77 per cent of whom have had secondary school education, and 22 per cent have had primary education. Among the male retrenchees, 20 per cent claimed they were skilled, 51 per cent semi-skilled, and 30 per cent unskilled; and among the females 10 per cent were skilled, 41 per cent were semi-skilled and 48 per cent were unskilled. Overall, about 78 per cent of the retrenchees were semi-skilled or unskilled, and only had up to 4 months training for their previous jobs.

The majority of the retrenchees said they joined the informal sector because they could not find any other form of employment. About 69 per cent of the male and 75 per cent of the female retrenchees cited inability to find alternative employment as the main reason for joining the informal sector. Nevertheless, 75 per cent of the males and 64 per cent of the females said that they did not like their informal sector involvement because the incomes were deemed very low. Indeed, 84 per cent of the retrenchees still preferred alternative employment in the formal sector, with 41 per cent citing higher wages and 46 per cent citing job security as the main reasons for the preference. About 79 per cent of the respondents indicated they preferred to operate in the low income, high density neighbourhoods, and with regard to assistance needed, 45 per cent said they needed financial capital, 25 per cent required facilities and 22 per cent needed a relaxation of regulations related to informal sector activities.

From the foregoing, it is clear, first, that the early retrenchees have been the "last hired, first fired", who in their characteristics such as youthful age, secondary school education, and relative lack of skills are similar to the majority of existing participants in the informal sector. Second, it may be observed that the majority of them view their entry into the informal sector as a consequence of force of circumstances, and while resigned to it, are nonetheless dissatisfied with it. Third, their desire or preference to locate in the low income high density suburbs is likely to reinforce the lateral expansion







of the informal sector in these areas. And fourth, it may be noted that the type of assistance they say they need is very much similar to that expressed by the majority of the existing participants in the informal sector except that a relatively larger proportion of them, comprising 20 per cent see regulations as a hindrance, compared to a much lower proportion, who do so among existing participants.

## **6. Discussion and synthesis of findings**

This section attempts to interpret and synthesize the findings in the previous section in accordance with the analytical approach suggested in Section 2 as a way of summarizing the results of the study. In this regard, this section begins by summarizing the findings in terms of the direct or indirect impact, and the frictional or structural impact of the Economic Structural Adjustment Programm (ESAP) on the urban informal section in Zimbabwe. This is then followed by a section that assesses the implications of the findings for the hypotheses advanced earlier in terms of allocative, technical and distributive efficiency. And the final sub-section discusses the limits of the study and its findings.

### **6.1 *The impact of esap on the urban informal sector - Summary of mode of transmission and consequences***

From the previous discussion it is clear that ESAP has had an impact on the urban informal sector in a number of ways, direct and indirect, frictional and structural, positive and negative. The key aspects of impact on the urban informal sector have consisted of (a) the number of participants; (b) the level and structure of demand; (c) the structure and costs of production; (d) the viability of enterprises in terms of income; and (e) the location of enterprises. The foregoing have been impacted upon by direct and indirect consequences of ESAP emanating from the formal sector and the participants' households.

#### **6.1.1 *ESAP consequences from the formal sector***

##### **(a) Impact of fiscal measures**

The most important fiscal measures of relevance to the informal sector under the ESAP have been the reductions in social expenditures on health and education, primarily the institution of (a) cost recovery measures for social services; and (b) the elimination or reduction of subsidies on basic commodities, key raw material inputs, such as metals and agricultural raw materials, used by the formal sector in the production of key intermediary inputs for the informal sector. These measures have resulted in price increases which have, on the one hand reduced the real incomes of the households of existing and potential informal sector participants and of its existing and potential demand clientele; on the other hand, the price increases have increased costs of inputs to the sector. The former eventuality has had both negative and positive consequences. First it has resulted in an increase in new informal sector participants as households have sought to supplement their incomes in the face of stagnant or declining formal sector employment; and second, it has restructured demand in favour of food products and some durables produced in the informal sector but has largely resulted in a decrease in total demand for informal sector products. The two consequences have reinforced a negative involutory trend in the urban informal sector. This involutory trend has been further exacerbated by the reduction of subsidies on a number of goods and services, which have included basic food products, raw materials and transportation services for which prices have increased. It should be noted here that the much vaunted ameliorative measures contained in the Social Dimensions of Adjustment (and the Social Dimensions Fund) have not only been underfunded given the task at hand but have by uncritically promoting the informal sector, may have encouraged its lateral expansion as well.

##### **(b) Impact of monetary measures**

The main monetary consequence of relevance to the urban informal sector has been the increase in the rate of inflation which has had the effect of imparting a sustained increase to all prices, including those of products for which the initial price increases due to subsidy reductions or price decontrol would have been expected to be one time increases. The price increases have been fuelled by government budget deficits, reductions in capacity utilization, and exchange rate devaluations. The findings clearly indicate that the price effects on the informal sector have been to reinforce the above consequences of fiscal measures by reducing household real income and thereby compelling more household members to participate in the informal sector, and by restructuring informal sector demand and reducing it as well. It may be noted here that not only have household real incomes declined; but prices in the urban informal sector tended to increase as well.

##### **(c) Impact of trade liberalization and exchange rate devaluation**

Liberalization of the trade regime has primarily resulted in the increased availability of fixed inputs, but has apparently not ameliorated the relative unavailability of intermediate inputs. Informal sector participants in Gweru and Bulawayo seem to have benefitted from the relative availability of fixed inputs. In the latter city the benefits of cross-border trade in goods sold on the informal market have been particularly obvious. Also, the relaxation in access to foreign exchange and the liberalization of trade have markedly improved the availability of raw materials in the main commercial and industrial city of Harare and thus to informal sector participants in this city. Nevertheless, the informal sector has continued to be negatively affected by lack of access to foreign exchanges, let alone its increased price in local currency, and by the upward push in prices arising from the managed crawling devaluation. In general, informal sector participants seem to view the competition from the formal sector to have increased and that from the foreign sector to have declined. This however, may reflect the increased access of the formal sector to imports, which in turn is a consequence of the liberalization of the trade regime. It may be recalled that the formal sector in Zimbabwe is highly import dependent, and in the pre-ESAP era, the shortage of imports was always a major constraint to production in the formal sector.

(d) Impact of price decontrol and market deregulation

The decontrol of prices and the deregulation of markets have primarily resulted in an increase in prices of inputs and final goods and services, both of which have negatively affected the informal sector on the production, cost, and demand sides. In this respect, it may be noted that both the easy entry activities such as food vending and knitting, and the complex activities such as metal related and wood related activities, have been negatively affected. In the pre-ESAP period, the easy-entry activities benefited from their ability to buy commodities at controlled prices and sell them at black-market prices and since ESAP this economic rent differential has now been eliminated; and the complex activities benefitted from controlled input prices which now have been decontrolled. The post-ESAP consequences of the foregoing seem to be the following: attendance on the part of easy-entry informal sector participants to exploit locational advantages in high density suburbs, and working longer hours coupled with selling goods in convenient sub-units that are nonetheless highly priced per unit; and on the part of those engaged in complex activities the attempt to change their products or rationalize their production particularly as demonstrated by respondents in Gweru. A marginal consequence of the price decontrol and market liberalization has been a shift in demand toward informal sector food and some durable products. But again, these shifts do not appear to have been strong enough to nullify the overall depressing effect of price increases on total demand. Indeed, an increase in the demand for informal sector products and services if it were to occur would be reflected in an increase in formal sector sales to the informal sector producers, which has not transpired.

(e) Impact of government regulations

Government regulations have not been seen by urban informal sector participants to be a particularly constraining factor in both pre and post-ESAP periods, although the lack of available marketing and production infrastructure has been viewed as a major constraint, second or third after lack of capital. This study found that on the whole, informal sector participants abided by whatever regulations existed, or avoided them by changing location. Nevertheless, the announced inclination by government, and the general clamour from domestic policy fora to eliminate constraining regulations, or to relax their enforcement has had the effect of encouraging the lateral expansion of easy-entry informal sector activities into new locales previously deemed unapproved or illegal.

(f) Impact of economic contraction

A final major impact on the informal sector has been the contraction in the real economy that has accompanied ESAP. To be sure, the Zimbabwean economy had experienced erratic but stagnant overall growth in the years prior to ESAP. Nevertheless, the impact of ESAP has been stagflationary in a secular sense in that real output has been consistently declining, at the same time that employment has been falling and prices have been rising. Indeed, some structural and frictional contraction is an expected outcome of stabilization and structural adjustment measures but as always, it is never clear at any given moment, first, what the difference between the two is in the real economy. Second, in the absence of net positive consequences of ESAP, even the frictional consequences appear secular and structural. Admittedly, two to three years of economic reform do not constitute an adequate time frame for assessing structural adjustment measures, but it is clear that in Zimbabwe, the contractionary consequences of ESAP on the formal sector have far outweighed any perceived positive effects. In effect, the contraction in the real economy has led to an increase in the

number of informal sector participants, partly as a consequence of retrenchments and partly as a consequence of the decline in household incomes and a decrease in the availability of informal sector inputs. The former (retrenchments) have been exacerbated by the liberalization of the labour market act in form of the repeal of labour retention regulations and permission of free wage bargaining. And the latter, (household incomes) have been aggravated by the fall in real incomes as wage increases in the formal sector have not kept pace with price increases and as more bread-winners have become unemployed through retrenchment. Third, the foregoing trends have been reinforced by the general increase in the labour force.

#### *6.1.2 Consequences emanating from the household*

As implied by the foregoing discussion, and by the findings some of the impact of ESAP on the urban informal sector has been transmitted through its impact on the urban household. Essentially, the overall effect of ESAP has been to undermine the sustainability of the household by reducing formal sector employment and real incomes, thereby necessitating adjustments in household consumption and labour force participation. The findings clearly suggest, first, that households have had to readjust their consumption toward basic necessities, and for low income households, this may have entailed an increased purchase of basic items such as food from the informal sector, and perhaps, a substitution of durable goods from the formal sector with those from the informal sector albeit in form of infrequent purchases. Second, the findings suggest that the pressure on the household has resulted in the increased participation in the informal sector, of household members not working in the formal sector by starting own enterprises or as workers.

More specifically, recent retrenchees, women and young family members have increased their participation in easy entry activities prone to lateral expansion. This suggests that the entry of women and youths may have increased their underemployment in the informal sector. Admittedly, these participants contribute to household income marginally given that a majority of the households have at least one member employed in the formal sector, but this form of employment may not represent the best use of such labour in the long term, and may actually depress overall incomes in the informal sector. Additionally, under the pressure to eke out a reasonable income, such informal sector participants are compelled to work arduous hours per day, and days per week thereby undermining not only their human capital but their household welfare as well.

#### *6.1.3 Impact on the participants*

In addition to the impacts indirectly emanating from the formal and household sectors, the findings have clearly suggested that a number of ESAP consequences have impacted on the participants themselves directly. The most important effects of the ESAP environment on the participants as revealed by the findings are the following. First, there has been increased competition within each city, on each marketing site and in each activity. Among the easy-entry activities, participants have been compelled to work harder and to seek better locations closer to the consumer, and among the more complex activities, there seem to have been pressure to rationalize production and redesign products. The tendency toward rationalizing production has been reflected in a tendency toward increasing the division of labour, and toward monitoring and instructing. Workers in this respect, both by force of circumstances, and by virtue of the rationalization, seem to have lost much autonomy and some freedoms as suggested by the findings. In this respect workers seem to be bound to informal sector activities by force of circumstances irrespective of their wishes.

The second consequence has been that real net income may have generally declined, and more so if returns or productivity per hour were to be considered. The decline in real incomes is a combined consequence of declining demand, increased costs of production and the increased number of participants. In this respect the escalating costs of public and private transport have had the double effect of increasing input costs and increasing the need for new entrants to concentrate their activities in high demand areas such as the high density suburbs where participants are already saturated. This latter aspect may not only have further saturated the number of participants in these areas, but may have encouraged or reinforced the location of complex activities in the homes within residential areas themselves and away from conventional market areas. This is a trend that the GEMINI report had identified but which was not the focus of this study. In any case, increasing transport costs have, according to the findings, encouraged food vendors to locate closer to the markets.

It may be observed as well that the disappearance of the black marketeering of previously controlled products may not have negatively affected the informal sector that significantly in Zimbabwe for at least two reasons. First, unlike the situation in many controlled statist regimes in Africa the degree of state control over prices in Zimbabwe was not only lesser both in terms of the range of

commodities so controlled and the price deviation from 'equilibrium' prices, but was matched by generally available supplies from the main distribution centres. This had the effect of minimizing the ubiquity of such black market activities, except in locales where customers were disadvantaged by high transportation costs such as in the low income high density suburbs. Indeed in Zimbabwe 'contrived' shortages of goods were not as endemic or as frequent as they were in Zambia and Tanzania for instance. In other words during the post-independence 'socialist' period the economic rental advantage of black marketeering was small.

The second reason is that, as the findings have shown, informal sector participants not only tended to undertake more than one activity at a time, but also were quite able to switch from one activity to another especially among the easy entry activities. Thus the disappearance of economic advantage in marketing controlled commodities may have indeed shrunk available easy entry economic activities but also as a consequence of foreign exchange liberalization substitute trading activities, have arisen among the better endowed which entail the buying and selling of imported goods many of which are eventually vended by informal sector street sellers on behalf of the better endowed dealers who are mostly in the formal sector. Thus while the sale of controlled commodities has disappeared that of imported personal appliances and accoutrements such as radios, watches, second hand clothes, etc., has increased. This trend has been particularly obvious in Bulawayo which acts as a gateway for imports from South Africa and Botswana. The new entrepreneurs taking advantage of foreign exchange and trade liberalization have had nevertheless, to still contend with declining overall demand in the economy. It should be noted, however, as the findings have shown, that low income demand for basic commodities may have shifted in favour of informal sector sellers who are near to the customer. This tendency has resulted in the exploitation of locational or spatial advantages in the sale of basic goods such as food items and household and personal effects. Such advantages may have counteracted the disadvantages resulting from the decontrol of the prices of some of these goods. Thus the post-ESAP tendency to locate nearer the customer in low income high density neighbourhoods may represent the need to exploit such advantages, especially in the face of increasing transport costs.

## **6.2 Impact on efficiency: Assessment of hypotheses**

The implications of the findings for the hypotheses advanced earlier should now be clear. It is worth noting initially that the time period that has transpired since the inception of ESAP, and the undertaking of the survey is not long enough to assess the full impact of the structural adjustment and stabilization measures, even if their ability to resuscitate an economy such as that of Zimbabwe in the long run may be questioned at the outset or in principle, given their design and orientation. Nevertheless, it is clear that ESAP measures have so far had stagflationary effects on the formal sector in terms of contractionary output and employment effects and increasing prices. Whether these effects on the formal sector are frictional or structural is beyond the scope of this study, and it is also accepted that the drought of 1991/92 had a destabilizing effect. The general hypothesis that ESAP measures would have a negative impact on allocative, technical and perhaps distributional efficiency in the urban informal sector was not based on the theoretical anticipations of the impact of ESAP on the formal sector but based on its known effects in Zimbabwe so far.

Additionally, it may also be noted that from the point of view of overall efficiency, the informal sector is a residual sector in the sense that by definition it cannot be the lead sector in economic growth or development without itself becoming formal. Thus the formal sector is by definition and implication the lead sector, and as such it is contradictory for an ailing or contractionary formal sector to coexist with a dynamically efficient and growing informal sector, especially when the latter is dependent on the former for its demand and its inputs. Such a possibility would only arise if the informal sector "delinked", as it were, from the formal sector. This is not to suggest that some informal sector activities might not thrive in the context of a contractionary formal sector, for indeed some will, but this is merely to underscore the point that as a residual sector, the informal sector as a whole may only grow efficiently when the formal sector is growing as well, unless the two sectors were highly divorced.

### **6.2.1 General hypothesis**

Thus in the context of the present post-ESAP situation in Zimbabwe which is stagflationary, the general hypothesis advanced was that stabilization and structural adjustment measures can be expected to have resulted in allocative and technical inefficiency in the urban informal sector. The foregoing review of the study's findings in the previous section and the summary review in this section suggest that the evidence in support of the hypothesis with regard to allocative inefficiency is strong while that related to technical inefficiency is mixed.

ESAP measures have reinforced overall allocative inefficiency, first in failing to resuscitate the formal economy and second in exacerbating the lateral expansion and involutory growth of the

urban informal sector. With only about 10,000 new formal sector jobs created per year in the face of about 300,00 school leavers and about 25,000 retrenchees since ESAP and still more to be retrenched, the increase in entrants into the informal sector is to be expected. However, given the informal sector's dependency on formal sector inputs, start-up capital, and demand, the stagflationary trend in the formal sector has effectively placed a damper on overall growth in the urban informal sector. Thus as the findings demonstrate, at the same time that the number of entrants has been increasing, costs of production have been increasing, demand has been falling, and real returns have been declining.

The findings suggest that the allocative inefficiency is manifested in a number of ways. There is first the fact that large numbers of secondary school educated youths are increasingly absorbed in easy entry activities with low returns, for which they are over-qualified or under-utilized, working long hours per day, and almost seven days per week for lack of other productive employment. Second, given declining demand and rising costs, it is clear that new entrants do not have a marginal productivity that is positive or that adds to total value added in each of the activities. Third, since the average age of enterprises has only been increasing slowly while the average age of participants has remained the same or declined there seems to be no viable exit from the informal sector so far. The allocative issue however, is not so much that individuals entering the urban informal sector are ingenious enough to find something to do in the absence of anything else, but that in a normative, policy sense, this may not be the best way to allocate resources if dynamic growth and economic development are the long term goals. In other words, as matters presently stand, the findings suggest that an unqualified 'promotion' of the urban informal sector in Zimbabwe, by merely encouraging more people to enter it, would be a misguided policy option from the point of view of dynamic considerations.

With regard to technical efficiency, the hypotheses that ESAP measures have resulted in technical inefficiency in the urban informal sector seems to be partially supported first by the low returns in the face of increasing costs, the limited efficiency as reflected by the low level of skill formation and the static quality and design of products in the face of increasing competition from within the informal sector and from the formal sector, and by the undervaluation of labour and inputs which exaggerates net returns and entails substantial self-exploitation or depreciation of human capital. Nevertheless, the post-ESAP environment has, willy-nilly, also resulted in pressures toward improving technical efficiency in some of the informal sector activities as the findings suggest. First, while the technical inefficiency has mostly characterized easy-entry activities, the attempt to enhance technical efficiency has tended to relate to the more complex activities of long duration such as metal work, carpentry and crafts. Among the latter there has been a marginal tendency toward an increasing rationalization of production and division of labour, an increasing tendency to regularize or formalize on-the-job training for workers, and an increasing tendency to respond or adapt to the fierce competition innovatively, by attempting to redesign products, for instance. The case of the urban informal sector in Gweru is particularly interesting in that its respondents, who are primarily in complex activities seem to view the post-ESAP environment as a challenge to their ingenuity within the urban informal sector, rather than as a curse. In this city the respondents have differed markedly from those in the other cities with respect to their ability to adapt and adjust efficiently to the shortages in inputs, increases in costs of inputs, and the increase in competition.

#### *6.2.2 Specific hypotheses*

Specific hypotheses were also advanced pertaining to (a) an anticipated decrease in returns to informal sector participants engaged in buying and selling previously controlled commodities; (b) an anticipated decrease in returns of participants who relied on inputs from highly import dependent firms; (c) an anticipated increase in participants in easy entry activities; and (d) an anticipated increase in complex activities engaged in 'niche' production for segmented markets. The first specific hypothesis [(a) above] related to participants involved in previously controlled products and the third specific hypothesis [(c) above] related to the expansion of easy-entry activities are linked, and, in terms of the findings, are primarily supported by the trends in the ubiquitous food vending sub-sector. This sub-sector has not only seen the prices of formal sector inputs increase but has also experienced lateral expansion as well, as indicated by the responses. Nevertheless, the tendency for returns to fall has been partially counteracted by the shift in low income demand in its favour and by the increased resourcefulness of the participants in working longer hours per day and more days per week.

The second hypothesis (b) has actually applied to the majority of the activities given their high dependency on formal sector inputs whose prices have been increasing and is related to the issues pertaining to allocative and technical inefficiency. In general, the findings suggest that the escalation of input prices has negatively affected demand and returns, although some of the more complex activities have attempted to find innovative ways of ameliorating the impact. Overall, the findings suggest that net real incomes have fallen, primarily as a consequence of the combined negative effect

of reduced demand, increasing input costs and increased competition. The fourth hypothesis [(d) above] is supported by the findings that show that a small but significant minority of complex informal sector firms particularly in Gweru, are beginning to find innovative ways to produce, redesign and market their products.

Finally, a comment is in order with respect to the impact of ESAP on distributive efficiency. The findings suggest that ESAP measures have, in the short to medium term so far worsened the economic welfare of urban households in both the formal and informal sectors. The welfare of households dependent on the formal sector has worsened as a consequence of declining formal sector employment and declining real wages. Now, given the formal sector dependency of the urban informal sector in Zimbabwe in form of purchase of inputs and effective demand it is clear that in the absence of a reversal or elimination of such dependency the urban informal sector in Zimbabwe has also experienced a decline in economic welfare. Indeed, the study has shown that the urban informal sector has failed to take advantage of the new policy regime by either exploiting export markets or the primary resource base so as to launch an autonomous growth basis independent of the formal sector. The study has also shown that there has not been any significant degree of up-grading into formerly formal sector products and services, nor the seizure of opportunities being downgraded from the formal sector.

Given the economic circumstances prevailing in both urban formal and informal sector activities in Zimbabwe, as a consequence of ESAP, it may be stated even deductively that a healthy and dynamic urban informal sector, growing in terms of both employment and incomes, would be a contradictory to the existence of an ailing formal sector. In other words, a dynamic informal sector would soon or later be reflected in salutary developments in the formal sector, or at least in some sectors, as aggregate demand increased since the informal sector is not isolated from the formal sector both in terms of production and consumption linkages. Indeed, the evidence in this study suggests that the declines in economic welfare in the formal sector and the urban informal sector have been directly related and mutually reinforcing.

The study nevertheless, has found that the urban informal sector continues to play an important ameliorative and distributional function as an income-generating safety net. This function is partly in form of a sharing of a shrinking aggregate urban informal sector income by an increasing number of participants whereby for high income and generally more complex activities with barriers to entry the average real incomes of the participants, although falling, are still preferred to alternative incomes to be earned in low level occupations in the formal sector such as domestic work, security guard work and farm work. This distributional safety-net function was also found to partly related to the fact that the opportunity cost of engaging in easy-entry informal sector activities, even if with low and declining real incomes, was seen by many would-be unemployed and underemployed participants to be low, at least in the short to medium term, although many such participants would prefer more stable low level urban employment opportunities. This latter distributional safety-net aspect is reflected in the increased participation of women and children and the social obligation to employ family members and relatives as workers to eke-out supplementary incomes, which in part accounts for the marginal post-ESAP increase in employment per enterprise, even if overall, the post ESAP trend has been for employment per enterprise to decline due to lateral expansion in self employment.

It is clear, however, that in the long term, the present post-ESAP safety-net function being played by the informal sector is distributionally inefficient since it does not add to value-added or a structural transformation of the status of the urban informal sector from its inherited residual, dependent and derivative relationship to the formal sector. In addition, the resulting increased participation of women and children, together with the increased exertion in hours per day, and days per week required to eke-out a reasonable income can only be expected to have untold long term negative effects on household welfare and the quality of human resources as their depreciation is accelerated. These latter social costs may not be fully compensated for by the real incomes earned under present circumstances.

### **6.3 Relation to other studies**

Anheier (*World Development*, 1992 p. 1584) has observed that "we may be well advised to move away from the informal-formal sector dichotomy and examine local economies in their totality. What seems to matter is the embeddedness of both the formal and informal sector in the larger urban or regional economy." This study of the impact of ESAP on the urban informal sector in Zimbabwe very much reinforces Anheier's observation in that it demonstrates that the analysis of such an issue has to be situation-specific. Helmsing and Kolstee, in their recently published book titled *Small Enterprises and Changing Policies* (1993) observe, after a review of several case studies from Africa that "few generalizations about the impact of structural adjustment on the small-firm sector are

possible. The various reforms have closed some doors while opening others, favoured some types of enterprise while discriminating against others." (Helmsing and Kolstee, p.84)

Helmsing and Kolstee nevertheless, proceed to identify the factors pertaining to the informal or small-firm sector that are favoured or penalized by structural adjustment measures. In the former are included such characteristics as low import dependence; development of linkages with growth sectors of the economy; significant technological enhancement; high barriers to entry; innovation; and serving as an import-substitution function. In the latter category the penalized characteristics include high import dependence; few linkages with demand mostly from low-income groups; little technological enhancement; low barriers to entry; and cut-throat competition. From the foregoing it may be expected that the impact of structural adjustment on the urban informal sector in any country very much depends on two eventualities: first, it depends on the relative mix of factors favoured or penalized by such measures in a given country context; and second, it depends on the efficacy of the structural adjustment measures themselves to actually transform the 'real' economy in the long term, in a manner that overrides transforms the negative the characteristics of informal sector activities penalized by such measures; or that exploits the favoured characteristics of particular sub-sector.

This study has shown that the Zimbabwean urban informal sector is mostly dominated by characteristics most prone to be penalized by structural adjustment measures. Further, the study has shown that the impact of policy reform measures, per se, in the absence of positive structural adjustment in the 'real' economy, has been to reinforce the negative consequences of the characteristics penalized by such measures. In this respect, the findings of this study are very similar to those in countries with a similar legacy of the role and status of the urban informal sector in the overall economy which is dominated by characteristics likely to be penalized by such measures, and to those in which the short to medium impact of structural adjustment policies has been stagflationary. Indeed, this type of eventuality corresponds to a model of the economy in which the urban informal sector is a residual economy dependent on the formal sector in a unidirectional way that favours the formal sector. Such a model has been advanced by Portes and Castells in *The Informal Economy* in their essay titled "World Underneath: The Origins, Dynamics and Effects of the Informal Economy".

In the African context, Maliyankono and Bagachwa have advanced a model for Tanzania similar to that of Portes and Castells which very much corresponds to the reality in Zimbabwe. The major difference is that in Tanzania the black marketeering component of the informal sector was more pervasive. The model advanced by Maliyankona and Bagachwa in *The Second Economy in Tanzania* is that:

of an ailing economy ... in the form of declining output; shortages of foreign exchange; balance of payments problems; a rising debt burden; high birth rates as a safety valve ... corruption and the persistence of a second economy whose participants are those able to see the risks of further falling living standards and a breakdown of welfare economics... (p. 133).

In such an economy the impact of ESAP on the formal sector is stagflationary due to a number of rigidities and bottlenecks; and its impact on the residual informal sector is involutory. This Zimbabwean case study supports the Tanzanian findings.

Bagachwa has observed with respect to the impact of economic reform measures on the informal sector in Tanzania that:

The most adversely affected firms [in the informal sector] have specially been those who have been unable to innovate and those relying on imported inputs ... For such firms the principal sources of decline have mainly been (i) increased prices of imported raw materials and inputs due to the inflationary effect of devaluation; (ii) falling real incomes and depressed purchasing power among urban and rural households and (iii) increased imports and domestic competition resulting in lower volume sales. (*Small Enterprises and Changing Policies*, p. 112)

The foregoing are the very factors that have debilitated the urban informal sector in Zimbabwe as a consequence of ESAP from the findings of this study. In this respect it appears that many African countries are saddled with urban informal sectors that not only have characteristics likely to be penalized by structural adjustment measures but that are related to formal sectors that are likely to react to such measures in a stagflationary manner.

Thus the study on Nigeria by Dawson and Oyeyinka while noting the marginal salutary effects of economic reform measures on that minority of informal sector enterprises with characteristics favourable to such measures observe that:

The urban informal sector in Nigeria is squeezed between falling purchasing power among traditionally its most important source of demand-low income, urban dwellers; rising costs, falling quality and reduced availability of its raw materials and inputs; and increasing competition from other informal sector firms. [WEP, 1993, p. 60]

The foregoing is the situation that has afflicted the majority of the enterprises in Nigeria and similarly in Zimbabwe. Indeed, other case studies reviewed by Helmsing and Kolstee on Ghana and Latin America seem to suggest that the Zimbabwean findings are not at all unique and correspond to a number of similar cases in countries with similar formal/informal sector interdependency.

An exception seems to be the case of Mali in which the formal/informal sector relationship differs from the model implicit in the Zimbabwean, Tanzanian and Nigerian cases for instance. It appears that in Mali there existed "a potential base of dynamic enterprises, the creation of which was stimulated by the economic liberalization policies pursued since the beginning of the 1990's" (*Small Enterprises*, p. 142). In the Mali case it appears that the development of such enterprises has primarily been blocked by regulative measures. Another similar case is perhaps that of Mauritius which has been experiencing rapid economic growth but even here however, the case is not as clear-cut, as Paratian quotes a Ministry and Industry and Industrial Technology as follows:

It is difficult to gauge with any precision the contribution of this sector [small-scale sector] in the overall economy... the success of the informal sector is not conspicuous per se. Pessimistic critics have often questioned the allocative efficiency of resources spent on the informal/small scale sector. [WEP, 1992].

The comparative findings discussed by Assunção [WEP, 1993] seem to suggest another set of promising findings on the impact of economic reform measures when it is concluded that:

The four case studies (of Kenya, Mozambique, Angola and Tanzania) show that the implementation of structural adjustment programmes has led to a situation where the urban informal sector has the main source of income and employment in the 80s. Both more favourable policies and programmes towards the informal sector in some cases or toleration... led to an increase in numbers and overall income in this sector.

But when Assunção proceeds to note that "regardless of income opportunities available in the urban informal sector survival activities of both non-wage and formal sector wage workers in rent-seeking activities predominated" (WEP, p. 63) it is not clear whether the claimed increase in numbers and overall income represents a move toward overall dynamic allocative efficiency in the long term.

The few studies there have been on Zimbabwe so far in one way or another support the findings in this study. Mumbengegwi in *Small Enterprises and Changing Policies* concludes that "on balance, the short-term impacts (of the structural adjustment programme) are likely to be negative" based on an interpretation of secondary data on existing formal/informal sector relationships and the known effects of ESAP so far [*Small Enterprises*, p. 157]. A study currently being undertaken by members of the School of Social Work on "Women Informal sector Workers Under Structural Adjustment in Zimbabwe" by Brand, Mudziswa and Gumbo seems to support the findings of this study with regard to the fact that ESAP measures have resulted in the increased participation of women in the informal sector under conditions of declining real incomes and increased exertion. At the other end, Zwizwai has studied the small scale metal industry in Zimbabwe which might be expected to benefit from 'niche' marketing and production under ESAP and has observed that "the disarticulation of the metal working industry is likely to be more pronounced with the implementation of ESAP unless a programme is adopted to correct the situation" (*Small Scale Metal Working/Light Engineering Industry in Zimbabwe*, 1991, p. 27). In general, with regard to Zimbabwe the findings available tend to be less optimistic about the possible salutary impact of ESAP on the urban informal sector given an ailing formal sector, which lends less support to the enthusiasm expressed by the NORAD report quoted earlier in this study about the likely impact of ESAP on the informal sector. More generally, the findings in this study in terms of both general and specific hypotheses advanced, tally well with those of the Nigerian case study by Dawson and Oyeyinka and differ primarily in that in Zimbabwe the salutary impact on the minority of firms with the likely characteristics favourable to ESAP has been very marginal, except perhaps, for those in Gweru where the results appear to correspond more to the Nigeria case.

This section may be concluded by commenting on the many studies that review the policy implications of structural adjustment measures with regard to the informal sector. Many such studies advocate compensatory policies which by implication go against the *laissez faire* non-interventionist thrust of structural adjustment measures. But, even if the intervention were accepted, perhaps in a market friendly or neutral way, the findings in this study suggest that it would have to be determined first whether such interventions and their accompanying resources are not better directed at the formal sector rather than the informal sector if dynamic allocative, technical and distributional efficiencies are to be the goal in the long term. Indeed, it is rather anomalous that it is taken for granted that structural adjustment measures *will* transform the real formal economy but that the informal sector *needs* supportive and facilitative interventions.

This study has attempted to demonstrate that the foregoing stance is fallacious and illusive as the reality in Zimbabwe has demonstrated in the short to medium term. The findings in this study suggest that first the ability of the present *laissez faire* thrust of structural adjustment measures may need to be questioned since so far they have only been contractionary and inflationary in their impact on the formal sector; and second that an informal sector policy strategy needs to be addressed within the context of an overall strategy encompassing both the formal and informal sectors in a manner that assesses the relative potential of both sectors to launch dynamic real transformation by maximizing overall allocative, technical and distributional efficiency. In this regard, ESAP measures are inadequate as a strategy, even in principle, because of their formal sector focus; and informal sector supportive programmes become futile in the face of an ailing formal sector whose economic condition is exacerbated by ESAP measures.

#### **6.4 Limitations**

The findings and their interpretations discussed in the foregoing sections have a number of limitations. First, the survey methodology utilized does not lend itself to the extrapolation of the findings and interpretations to the urban informal sector as a whole, nor to the rural non farm sector for that matter. Second, findings and interpretations pertaining to purchaser demand, household demand, industry demand and linkages, and retrenchees cannot be similarly extrapolated as well. Third, given that the valid responses were dramatically reduced by poor or spoilt responses the number of cases in each informal sector activity was generally too small to allow for meaningful cross tabulations that would isolate the impact of ESAP on particular activities in greater detail. Fourth, a disaggregation of many of the results by age and sex would have been useful but would also have further complicated the task hence the limited discussion of these issues. Finally, it may be noted that the findings are primarily suggestive of an approach that perhaps could be pursued more rigorously for a narrower range of activities at a later date hence rigorous criteria of significance and hypothesis testing have not been resorted to, apart from being precluded by the very nature of the survey methodology utilized.

### **7. Conclusion: Policy and research implications**

The findings in this study generally confirm the ILO's characterization of the urban informal sector implicit in the definition quoted in the introduction to this study. The urban informal sector in Zimbabwe is essentially a residual sector manifesting various characteristics of underemployment. In addition, the sector is largely a derivative of the failure of the formal sector and the rural sector to create adequate productive employment opportunities, and is highly dependent on the formal sector for its inputs, its demand and its capital. Thus very little of the urban informal sector in Zimbabwe can be said to have an inherent or autonomous basis for comparative advantage vis-a-vis the formal sector or vis-a-vis generating its own growth and development potential as a lead or parallel dynamic sector.

The foregoing characteristics of the urban informal sector also have underpinned its vulnerability to developments in the formal sector, such as the advent of stabilization and structural adjustment measures. The rationalizations and long term expectations of the Economic Structural Adjustment Programme (ESAP) in Zimbabwe, notwithstanding, the effective impact of the measures on the formal sector have been stagflationary, both in terms of output and employment contracting and prices rising, such that real incomes have declined and costs risen in the economy as a whole. These short to medium term outcomes of ESAP, exacerbated by drought in the 1991/92 season, may be frictional from the point of view of the formal sector, but, as the findings have demonstrated, have negatively impacted upon the urban informal sector in terms of allocative, technical and distributive efficiency in what appears to be secular and structural way.

Indeed, the urban informal sector cannot be said to be providing productive employment, output and income generating opportunities comparable or superior to those in the formal sector. The

sector has not demonstrated a tendency to expand efficiently by increasing productivity and real incomes, nor by up-grading its production into previous formal sector activities or by subsuming activities downgraded by the formal sector. The sector has also failed to develop efficient forward and backward linkages with the formal industrial sector. Indeed, the sector has not been a primary rational and optimum option of employment for a majority of the participants who find themselves by compelled to join it by force of circumstances. In effect, the frictional negative consequences of ESAP on the formal sector have translated into negative structural consequences for the urban informal sector in underpinning allocative, technical and distributive inefficiency in this latter sector.

The findings thus suggest that a strategy for promoting the urban informal sector has to be formulated in the context of a larger strategy addressing the formal and rural sectors in a manner that views the question of enhancing overall macroeconomic efficiency in the allocation and utilization of capital, labour, and raw materials resources across all sectors as a primary consideration. In this respect, policy makers and advocates of the urban informal sector have to be wary of what in the introduction were labelled 'romanticist' or 'welfarist' rationalizations for promoting the sector, since such strategies might merely reinforce the allocative inefficiency characteristic of the sector *in situ*. In Zimbabwe, this uncritical approach to the informal sector is clearly evident in the Social Dimensions of Adjustment policy document and in the announced strategy of the recently created Ministry of National Affairs Employment Creation and Cooperatives.

The findings of this study suggest that policy-wise, a two-pronged strategy might be needed. First, innovative policies to resuscitate growth in the formal and rural sectors have to be formulated to open up more dynamic employment opportunities, increase demand for all goods and services, increase the supply and reduce the cost of fixed and intermediate inputs and to enhance the welfare and cohesiveness of urban and rural households. Then second, a promotional strategy needs to be devised for select activities in the urban informal sector, such as the complex ones, which have demonstrated an ability to adjust, or attempt to adjust, in a technically efficient manner to the ESAP environment. Such activities might then be targeted with supportive measures consistent with the declared constraints of the participants in these activities, namely capital for start-up and expansion, production and marketing facilities, and skill formation and up-grading to reinforce their perceived need to rationalize production, the division of labour and marketing.

It is only on the basis of such a two-pronged strategy that the secular vicious circle of formal sector stagflation and informal sector underemployment can be broken. This vicious circle may be seen to have been overcome once growth in the formal and informal sectors is mutually reinforcing, once individuals opt to be in the informal sector as an optimal and rational long term choice; and once the real incomes of the poorest in the informal sector are seen to be increasing. Under the foregoing eventualities, allocative, technical and distributive efficiency would then be launched in a mutually reinforcing manner. So far, the current ESAP measures have demonstrated their inability to effect such a two-pronged strategy on the basis of market forces and liberalization measures alone.

Finally, this study, in spite of its mere suggestiveness, may also have underscored, first, the need for comprehensive approaches to studying and analysing the informal sector, that take into account both macroeconomic and microeconomic factors and inter-linkages, and second the need to disaggregate the urban informal sector by sub-sector of activities and by locales. In Zimbabwe, with regard to the latter, there is need to know more about the specific ways in which the complex activities are attempting to adjust in order to maintain some degree of technical efficiency in the face of ESAP with a view to identifying the nature of supportive or facilitative policies needed. The case of Gweru and other similar cities such as KweKwe where there are concentrations of certain types of complex informal sector activities might give opportunities for research into the likely incidence of economies of agglomeration, concentration and clustering in facilitating efficient adaptation to the ESAP policy environment.

In conclusion, then, it may be hoped that the findings and approach this study, although not conclusive, and the methodological shortcomings notwithstanding, do reinforce the need for a more critical and qualified support for the urban informal sector and for more innovative approaches to demonstrating the desirability of its promotion on the basis of the criteria of allocative, technical and distributive efficiency.

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