

Livelihood opportunities for youth in the informal sector

Zimbabwe, as in many parts of the world, faces a double edged sword of high unemployment and under-employment, particularly among young people. A lack of sustained high level economic growth leading to constraints in domestic and foreign investment and financial liquidity has slowed down the country's formal economy. There has been a shrinking of the job market in this sector, with more and more young people turning towards the informal sector as a means of creating a livelihood for themselves.

Of the estimated employed population of 5.4 million, some 84 per cent of these are in the informal sector¹-almost 4.6 million people². In the same year, 2011, the informal sector generated 19.5 per cent of Zimbabwe's Gross Domestic Product which in absolute terms amounted to USD 1.7 billion. Recent government commissioned research on micro, small and medium enterprises, 85 per cent of whom are in the informal sector, estimate that they contribute \$7.4 billion to the economy³. This figure does not recognise unreported incomes from the sector as the money rarely finds its way into the formal banking system and less than 2 per cent are registered with ZIMRA. However, despite the contribution of the sector, it remains under-served by transformative policy and skills development. This brief is a call for policy and decision makers to formalise this sector with appropriate policy and capacity building, particularly among youth and women.

1 Labour Force Survey 2011.

2 *ibid*

3 FinScope Zimbabwe 2012 Small and Medium Enterprises Survey report

Scope of the Challenge ■ ■ ■ ■ ■ ■ ■ ■

Zimbabwe has enormous potential to create a stronger locally based economy with broader employment opportunities if conditions are appropriate. Zimbabwe's import bill for January to October 2012 was USD 6.5 billion compared to exports valued at USD 3.1 billion⁴ creating a deficit of over USD 3.4 billion. According to industrialists, close to 80 per cent of goods on the local market are imports⁵ indicating a big economic opportunity for entrepreneurs.

Zimbabwe's Medium Term Plan's⁶ key strategy is to transform the country's economic capacity to produce goods and services at a growth rate of 7 per cent and an employment rate of 6 per cent per annum between 2010- 2015. The emphasis of the Plan is to transition from an economy focus of producers of primary goods to value addition production. It also seeks to promote youth development through education, particularly technical vocational training and sustainable livelihoods. The Plan, however, remains wedded to a traditional view of the economy with a strong emphasis on the formal sector. Despite the contribution of the informal sector in terms of jobs and finance, the importance this sector plays in driving economic growth is not adequately reflected in government policy. Further, the lack of integration of the informal sector into the main stream economy, which is the domain of 80 per cent of the labour force, remains a challenge.

The informal sector absorbs a large pool of the labour force, particularly among the youth, but there are few policies specifically directed at the sector. Although there are recent efforts by government towards graduating the informal sector to the formal sector, more needs to be done regarding

4 Government of Zimbabwe the 2013 National budget

5 http://www.sundaynews.co.zw/index.php?option=com_content&view=article&id=33979:train-youth-in-entrepreneurial-and-life-skills-emcoz&catid=41:business&Itemid=133

6 Ministry of Economic Planning

Challenges operating in the informal sector

WORK CONDITIONS

- Absence of official protection and recognition
- Informal activities are on the fringes of the law, subject to harassment, including bribery and extortion
- Absence of trade union organization
- Low income and wages
- Little job security

TYPES OF ENTERPRISE

- Small scale operation with individual or family ownership
- Labour intensive and adapted technology
- Poor quality production and services
- Absence of access to institutional credit or other supports and protection.

HABITATS

- Unauthorized use of vacant public or private land
- Reliance on low cost and locally available scrap construction materials
- Non-availability of mortgage or any other subsidized finance

CREDIT

- Unregulated and non-subsidized
- Availability in very small size and for short terms
- Low administrative and procedural costs
- Little or no collateral requirements
- Flexible interest rates (from very high to no interest at all)
- Highly flexible transactions and repayments tailored to individual needs

Source: www.gdrc.org/informal/l-is.

having effective policies on occupational safety, workers' rights, social security and integration of decent work policies in the sector. Poverty alleviation can also be substantially reduced by these interventions.

Main Players of Employment in Informal Sector

The prominent employers of informal sector workers are agriculture (77 per cent), wholesale and retail trade (8 per cent)⁷. Artisanal and small scale mining represents 3 per cent of jobs in the informal sector although this is growing rapidly. The tendency in the informal sector is towards using locally available resources⁸ which supports sustainable development.

Agriculture

Some 70 per cent of livelihoods are found in Zimbabwe's agriculture sector⁹. Agriculture, pivotal to the country's economic growth has seen a major decline in recent years, threatening food security and employment prospects¹⁰. It is, however, promoted as a panacea for alleviating poverty.

However, the agricultural sector has an array of employment opportunities in its value chain from production to processing, marketing and trade. Zimbabwe has over 23 crops that are viewed as lucrative enterprises. The sector has low barriers for entry; less investment is required than other sectors; and the sector is very subsidized and imported machinery has the lowest duty tariffs.

Involving youth in agriculture and decision making processes is key to sustainable development. Nevertheless, the sector is stigmatized by youth as only for subsistence living. The Zimbabwe gazetted wages and levies in the sector are \$65 and \$55 per month which coupled with the laborious nature of the work scare away many youth. Urban migration, access to finance, access to land, lack of incentives and opportunities, skills and climate changes issues remain challenges to entrepreneurial growth in the sector.

Mining

The mining sector exemplifies the disjuncture between skills and job shortages. Despite the high levels of unemployment, there were over 5 000 vacancies for artisans and technical staff in Zimbabwean mines in 2010¹¹. The skills shortage is a result of prolonged brain drain of skilled miners and sudden growth of more than 30 per cent in mining activities since 2009. Unlike large scale mining, jobs required by artisanal and small scale mining require much lower investment in technical and vocational skills.

Zimbabwe's minerals, over 66 different types¹², cover at least 60 per cent¹³ of its land mass. This makes it widely available for large scale as well as artisanal and small scale mining. The bulk of minerals remain untapped with 25 per cent of known gold deposits in active production¹⁴. Some estimates value the diamond deposits at up to USD 800 billion and the current rate of platinum extraction of a million tonnes per year would take 400 years to exhaust the known reserves.¹⁵

7 Labour Force Survey 2011

8 http://www.gdrc.org/informal/1-is_characteristics.html accessed 17 June 2013

9 Ministry of Agriculture (2013)

10 *Ibid.*

11 Chamber of Mines (2010)

12 Reserve Bank of Zimbabwe, *The Mining Sector*, <http://www.rbz.co.zw/pdfs/fjp/mining.pdf>

13 *Ibid.*

14 *Ibid.*

15 http://int.herald.co.zw/index.php?option=com_content&view=article&id=66927:govt-possesses-27-948ha-platinum-reserves&catid=37:top-stories&Itemid=130#. UbBhD-evokl

Although, mining contributes 40 per cent of the country's foreign exchange earnings, it only contributes 4 per cent of the GDP and 5 per cent, 60 000 jobs, of national employment. There are an estimated 300,000 to 500,000 artisanal and small scale miners in Zimbabwe¹⁶, many of whom are youth and unregistered. Large numbers of rural youth report that they are reliant on small scale mining as their main source of livelihood¹⁷. Zimbabwe needs to seize the opportunity to create increased economic growth and related jobs in mining which can be realised with the appropriate policy frameworks and strategy being in place, to particularly address youth employment.

Wholesale and Retail Trade

Informal sector wholesale and retail businesses, typically individual entrepreneurs or micro businesses employing between one and five people, make a sizeable contribution to the economy. In 2012 they were the largest contributors to the informal sector economy, estimated at \$3.1 billion each respectively¹⁸. Cross border trading has proved to be a popular activity among youth with reasonably low start-up costs and high returns. The concept of informality is stretched in Zimbabwe with many traders and artisans not having any work premises. Some 67 per cent of those in the informal sector operated from home, used footpaths or had no fixed location¹⁹.

Youth involvement in informal wholesale and retail trade is hampered by a lack of adequate skills and knowledge. This has led to substandard provision of goods and services²⁰. Locally made products battle to compete with imports in terms of quality and sometimes price. The lack of training among youth compromises their effective entrepreneurship in areas such as marketing, financial management and quality assurance.

16 <http://www.globaldialogue.info/CSD18per cent20Learningper cent20events/LCper cent202/ASMper cent20Carter.pdf>

17 Ministry of Small and Medium Enterprises and Cooperative Development, 2012, *Addressing Livelihood Challenges of Rural Zimbabweans through Small and Medium Enterprises and Cooperative Development*

18 *FinScope Zimbabwe 2012 Small and Medium Enterprises Survey report*

19 2011 Labour Force Survey-ZIMSTAT

20 ILO (2010) *Situational Analysis and Institutional Mapping for Skills for Youth Employment and Rural Development in Zimbabwe*



Skills Development

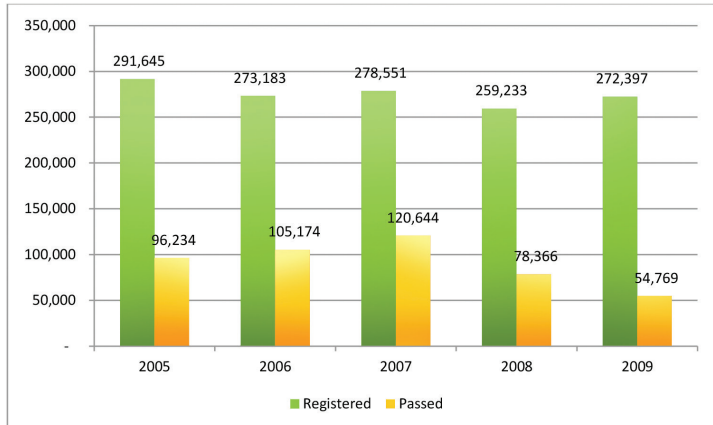
With between 70 and 80 per cent of children failing to obtain a grade 7 primary school certificates and around 90 per cent of those who carry on to secondary failing to obtain the required five O level passes to enter post-secondary institutions over recent years, the majority of school leavers are ill equipped to find employment in the formal sector and consequently find themselves in informal employment.

| National Pass Rates in Schools 2005-2009 | | | | | |
|--|-------|-------|-------|-------|-------|
| Year | 2005 | 2006 | 2007 | 2008 | 2009 |
| Grade 7 Passes | 33.0% | 38.5% | 43.3% | 30.3% | 20.1% |
| O Level Passes | 12.2% | 14.0% | 9.9% | 10.0% | 12.0% |

Source: ZIMSEC Examinations Board in ILO 2010

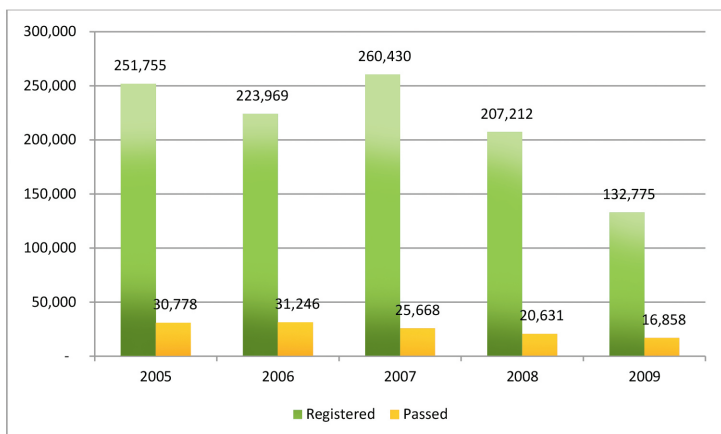
School leavers with some O level passes can access a variety of post-secondary institutions specialising in technical vocational education such as industrial training centres, polytechnics, vocational training centres, agricultural colleges and other training centres in the public and private sector. Skills are also provided through Enterprise Based Training (EBT) and on the Job Training. EBT is delivered in several ways. Some companies like Delta Engineering Training Centre, Wankie Colliery Training Centre etc. have their own training schools. However, since 2005, there were declines in enrolments in the various TVET programmes like trade testing, apprenticeship programmes and overall enrolments in polytechnics and vocational training centres.

Grade 7 National Passes 2005 - 2009

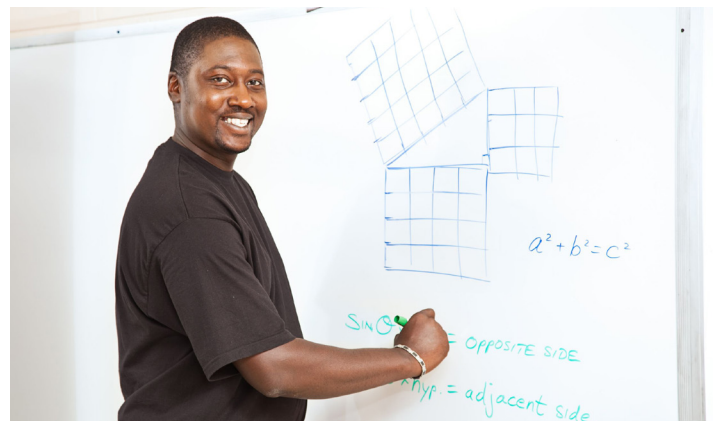


Source: Zimsec Examinations Board in ILO 2010

O Level National Passes 2005 - 2009



Source: Zimsec Examinations Board in ILO 2010



For the school leaver with no academic certification, informal apprenticeship is the traditional mode of acquiring skills. Although informal apprenticeship is being practiced in Zimbabwe and it encompasses many crafts, skills and trades, it is not provided for under the Manpower Planning and Development Act (1996) and is therefore not regulated. Like the other TVET programmes gender is an issue in the provision of informal apprenticeships.

A recent survey found that almost a third of micro, small and medium business entrepreneurs have primary education or less (including 5% who have no schooling) and the majority of them (73 per cent) acquired the necessary business skills informally (through informal networks such as family and friends, previous job, or while managing the business) while 27 per cent acquired the skills formally (through a training programme, school, university/college). This highlights the necessity of including business skills, entrepreneurship and financial management in the school curriculum as early as possible in order to equip youth for self-employment.



Recommendations

1. Policy

- Ensure the inclusion of the informal sector in all major government policies and strategies while addressing measures and strategies to increase the formalization of the sector.
- Incentivise registration and licensing of micro and small businesses by easing regulations, fast tracking bureaucratic processes and providing enabling formal business conditions.

2. Mentorships, business associations and credit

- Establish mentorships and sub-contracting incentives for large businesses and firms to take on young entrepreneurs by offering tax rebates. Introduce regulations awarding contract points in government tenders if services and goods are procured from youth managed businesses with gender having a bias.
- Advocate youth to collectivize in cooperatives, associations and buyer schemes in order for them to benefit from economies of scale and increase their chances of accessing loans and credit.
- Disseminate information on the availability of low cost credit and loans to the youth, and create regular forums that allow youth to leverage relationships and links to banks, micro-finance institutions and formal business enterprises

3. Education and Training

- Introduce entrepreneurship, financial management and business skills into the school curriculum as early as possible. Ensure that HEXCO recognizes technical vocational subjects as equivalent O level credits for accessing post-secondary institutions.
- Link technical faculties and units of universities, polytechnics, industrial centres and vocational training centres to rural and urban producer associations to improve agricultural yields, product design and quality control such as it being undertaken in Thailand and Malaysia.
- Provide accessible and relevant training on technical, vocational and entrepreneurial subjects for out of school youth and students at vocational training centres. Learn from models such as the Informal Sector Training and Resource Network (ISTARN), and the ILO's Training for Rural Economic Empowerment (TREE).
- Establish business incubators where young people in the informal sector can receive marketing, financial management, technical and soft skills training at a competitive cost.
- Invest more broadly in arts, crafts and sports in the school curriculum as they have enormous potential in providing skills that could lead to employment.

The 2012 UNESCO Global Monitoring Report on Youth and Skills estimates that every dollar spent on educating a young person will bring back between 10 and 15 dollars in economic growth during that person's work life as an adult. Investments in education are thus investments in progress and sustainable future growth.

Conversely, low-quality education and training come with a high cost: mismatches between young graduates' skills and labour-market demands translate into high youth unemployment. Quality technical and vocational skills development can be an effective tool to tackle global unemployment, especially for youth, and ensure sustainable growth.



- *One out of every two young people who join an insurgency declare that unemployment was their main motivation.*
- World Bank
- *Young people's future vocational development is largely determined by the skills and experience they accumulate or, on the contrary, have no opportunity to accumulate, at the start of their working lives.* - OECD/ADB
- *There is a very real social and financial cost to a lack of vocational integration, which can be seen in particular in the need to retrain youth who have been excluded from any vocational activity for too long.*



Ushirika wa Maendeleo ya Elimu Barani Afrika
الرابطة لأجل تطوير التربية في إفريقيا
Association for the Development of Education in Africa
Association pour le développement de l'éducation en Afrique
Associação para o Desenvolvimento da Educação em África

