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WORKING PAPER NO. 1

THE INFORMAL SECTOR IN THE LABOUR
RESERVE ECONOMIES OF SOUTHERN AFRICA
WITH SPECIAL REFERENCE TO ZIMBABWE.*

By

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(1985)

*This paper was originally published as an ILO SATEP working paper.

NOTE: Working papers contain preliminary results of research. They are circulated to stimulate discussion. Criticism and comments are welcome. Views expressed in these papers are those of the author(s) and not of the Institute.

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INTRODUCTION

This paper is written as a contribution to the research project in Zimbabwe on the informal sector. We have therefore written it in the absence of any detailed research on the subject. Our main purpose has been to raise both theoretical and policy issues we consider relevant to Zimbabwe. Although experiences elsewhere in the Third World may be useful to Zimbabwe, we have deliberately sought to narrow down the set of relevant experiences by highlighting the specificities of the historical experiences of the type of economies that Zimbabwe belongs to. A number of positions adopted in the paper may have to be rethought in light of more information. Hopefully the assertive and at times polemical way in which they have been stated will provoke response from other researchers and enhance our understanding of the informal sector in this country. Furthermore, it is our hope that our presentation will encourage a more sober attitude towards this sector and save Zimbabwean researchers and policy makers some of the euphoria that afflicted much of Africa at the "discovery" of the informal sector.

THE UNEMPLOYMENT CRISIS AND THE "DISCOVERY" OF THE INFORMAL SECTOR.

In the early nineteen-sixties it became clear that the high expectations that the industrialisation (largely through import substitution) embarked upon by most post-independence governments would absorb labour as rapidly as increases in output in industries were unfounded. Output growth far outpaced employment creation in industry. A lively debate ensued as to the causes of this discrepancy and here we can only briefly touch upon some of the arguments and positions adopted during this debate. These arguments are not only of historical or doctrinal interest but still have ramifications on policy in the underdeveloped countries.

From the conventional theoretical point of view, the presence of cheap underutilized labour and an increasingly capital intensive process of capital accumulation and increasing wage rates for the few wage earners suggested perverse behaviour. Had not the famous Lewis (1954) model predicted a process of extensive accumulation at a constant wage slightly higher than the average rural incomes until such a time as a "turning point" had been reached and the "surplus labour" had been

absorbed? Only after the "turning point" would the marginal productivity principle of factor remuneration assert itself and only then would accumulation become increasingly intensive. More important was that the dominant "dualistic" model predicted full employment in the "capitalist" sector which would, over a period of time, enjoy an infinitely elastic supply of labour from the "traditional sector".

However, as reality diverged from the predictions of the model, several explanations were preferred and here we shall only discuss a few and these only telegraphically. One explanation placed part of the blame on the migrant labourer him/herself. It was his/her expectations and judgement on the probability of getting a job, the differential between urban and rural incomes and his/her attitude towards risk that contributed to disequilibria in the labour markets (Todaro, 1971). Another set of explanations, derived from the neoclassical paradigm, involved the identification of certain "distortions" of the market mechanism. The major culprits in this scenario were distortions in factor prices. Minimum wage legislation, "premature trade unionism", and colonial wage structures were all said to lead to rewards to labour higher than would be justified by the actual supply-demand conditions. All this led to an increasingly capital intensive process of accumulation. In the more radical interpretations of this process, the capital intensive process of accumulation tended to favour oligopolistic transnational firms, who, because of their "ability to pay" and their preference for tranquility in their labour force tended to pay wages that were substantially higher than the official minimum wages. The interaction between the highly profitable oligopolistic firms and a reasonably well-remunerated "labour aristocracy" led to a "wage-technique" spiral that generated an accumulation process that was increasingly exclusive and "marginalised" vast numbers of the urban population (Saul and Arrighi, 1968). Reinforcing all this process was the foreign exchange regime that prevailed. Import substitution policies not only enhanced the degree of monopoly of the economy but tended to artificially cheapen capital through overvalued currencies and tariff structures that favoured import plant and machinery.

A third set of explanations were technological in nature. First there was the well-known fixed proportions argument of Eckaus (1956) which posited a technological dualism that negated the neoclassical factor substitutions argument. At any given time, so the argument went, a

given product would only be produced by a fixed combination of labour and capital. If the structure of demand generated by the prevailing income distribution tended to favour capital intensive goods, then the technology adopted would tend to be capital intensive irrespective of factor prices. A vast amount of work has been generated to relate this scenario by seeking to demonstrate the availability of a whole range of techniques and the responsiveness of capitalists to factor prices. Supporters of the fixed proportions argument have countered by arguing that (a) the level of aggregation for demonstrating factor substitution has generally been too high and that at lower levels of aggregation there is indeed very little choice so that the structure of demand determines the choice of techniques; (b) the transnational firms dominating the manufacturing sector have no special incentive to alter their techniques so as to quit a particular country's factor endowments; (c) even if "blue-prints" for labour intensive equipment existed in the form of new designs or old vintages discarded by the advanced countries, domestic capital goods sector to produce this "appropriate" equipment was simply not there nor would one expect the capital goods producers of the advanced countries to retool themselves so as to meet the demand of the underdeveloped countries. (Mkandawire, 1981; Rweyemamu, 1976).

A more recent reformulation of the technology argument is based on the increasing returns to scale view of technological change (Felex, 1974). In this scale scenario, technological change saves on both unit labour and capital cost. This suggests that if technical obsolescence in the advanced capitalist countries is in large part due to movement along an economy of scale sector, the more of the technology discarded by the advanced economies will therefore be market inefficient in the technologically dependent periphery economies than is implied by the neoclassical scenario which counsels the underdeveloped countries to use the old vintage of second-hand machinery.

ENTER THE INFORMAL SECTOR

Although it is only recently that the informal sector has received clear academic and official respectability, there already were intimations of its significance in some of the earlier "dualism" literature. Thus Geertz (1963) in discussing Indonesia distinguishes two types of economies in the urban area - the "firm economy" and the "bazaar economy" which he views as basically antithetical. The expansion of the former

would outcompete the latter while the latter's very existence tended to block the expansion of the former. Early Marxist literature is also replete with references to pre-capitalist or petty capitalist production which often referred to peasant agriculture or urban petty production viewed as essentially transient. Much of this literature tended to view the informal sector as "traditional". The informal sector is, however, anything but traditional in terms of inputs, outputs, market outlets and even technology. By the late sixties and early seventies there was a perceptible change of perspective. While the debate on causes of discrepancy between growth in output in industry and labour absorption raged, the question of what was actually happening to those not employed in the "modern" sector arose. The initial answer was that they were simply unemployed and that in the absence of social security they probably were taken care of by their relatives in the "labour aristocracy". In the African context, the "extended family" phenomenon was marshalled to account for the livelihood of the unemployed. However, given the limited size of the "labour aristocracy", the dramatic rise in the rate of urbanisation and the rather puny and rapidly dwindling fortunes of the "labour aristocracy"¹ such an explanation proved increasingly untenable. Weeks (1971), in a rather polemical and provocative article, dismissed the whole "unemployment" problematic arguing that "... it has not been established that "unemployment" is in fact a general problem in the less developed countries" and that "... it is absurd to define the employment norms in terms of the conditions enjoyed by a tiny minority of labour". Hart's (1973) study in Ghana suggested the prevalence of an "informal" economy, thus introducing into the lexicography of underdevelopment a term that has now become standard in the literature. Studies by the International Labour Organisation (ILO) also began to point in this direction. The ILO, which in the 1960s had been requested to examine the question of unemployment and propose remedies, discovered that although unemployment in the conventional sense was a serious problem, especially among school leavers, it concealed the larger issue of the "working poor".

1. As Sutcliffe has observed "... there can never have been an aristocracy which was in absolute terms so impoverished", (Sutcliffe, 1971).

In the words of the ILO Mission to Kenya, (ILO 1972):

"We identify the main problem as one of employment rather than unemployment. By this we mean that in addition to people who are not earning incomes at all, there is another - and in Kenya more numerous - group of people whom we call the "working poor".

These "working poor" were found in what was christened the "informal sector" - a sector characterised by:-

- a) ease of entry
- b) reliance on indigenous resources
- c) family ownership of enterprises
- d) small scale of operation
- e) labour intensive and adaptative technology
- f) skills acquired outside the formal school system and
- g) unregulated and competitive markets.

In sharp contrast, there was the "formal sector" whose major characteristics were:-

- a) difficult entry
- b) frequent reliance on overseas resources
- c) large-scale of operation
- d) capital intensive and often imported technology
- e) formally acquired skills, often expatriate and
- f) protected markets, through tariffs quotas trade licences (ILO, 1972).

Because of its income and employment generating capacity, the ILO mission placed great faith in the sector's contribution to employment creation and proposed a series of measures to remove the various obstacles it had identified: discriminatory credit policies, harassment from the state, limited access to infrastructure such as permanent buildings and electricity, etc. Since the ILO report on Kenya, various other studies have been conducted to determine the magnitude of the sector in various African countries and the constraints on the sector's expansion and to propose measures for the promotion of the sector.

THE BENIGN RELATIONSHIP APPROACH

The ILO approach is what Tokman (1978) has termed the "Benign

Relationship Approach". Such an approach posits no conflict between the "formal" and "informal" sectors. Instead each sector is treated as either autonomous (the "dualism" subapproach) or closely integrated in a complementary fashion ("complementarity" subapproach). In the first subapproach, the informal sector has virtually no links with the formal sector. The former is simply the sector accommodating those unable to obtain employment in the latter. Consequently whether or not the informal sector survives and prospers depends entirely on mechanisms internal to the sector itself. In the more idealistic, "poor-but-efficient" version, the sector is characterised by flexibility and ingenuity in the face of severe legal and extra-legal restrictions imposed by the State. The sector appears as something close to the textbook "pure competition economy" of small firms producing efficiently and, more importantly, adopting production techniques appropriate to local factor endowments, i.e. labour intensive techniques.

In the complementary subapproach the informal sector is seen as highly integrated with the rest of the economy to which it exports a large share of its output and imports large portions of its consumption and producers' goods. Since each is presumed to produce distinct and highly specialised goods there is no direct conflict between the two sectors. Indeed the complementarity implies that the size of the informal sector will expand pari passu with the size of the formal sector. The ILO approach has generally tended to call for policy measures that would intensify this, sectoral complementarity. Measures proposed include changes in the sectors input-use co-efficients in favour of the informal sector through increased subcontracting, better market outlets for informal sector products, etc.

More fundamental to this complementarity is the capacity of the informal sector to use the opportunities offered it by the formal sector for the generation of not only employment but also accumulation and increasing incomes. As we shall have occasion to elaborate below, a number of critics of this approach argue that whatever expansion the informal sector is likely to achieve will be of the "immiserising growth" type. Sandbrook (1982) is quite explicit about this scenario:-

"... the prospect of the informal sector is neither evolution into large, more productive enterprises nor even displacement by large capitalist firms. It is instead involution, a situation in which more and more people share stagnant markets among themselves". (p. 63).

Defenders of the "complementarity" approach admit that for large numbers of people in the formal sector, such indeed may be their fate. There are however units or individuals who are able to harness the opportunities presented to them by their proximity to the formal sector. House (1982), in reply to critics of the ILO argues that "a sizeable part" of the sector in Kenya appears as "a reservoir of dynamic entrepreneurs" which has succeeded in expanding and accumulating capital assets. On the basis of this "reservoir", he places faith in this sector's potential for increased income and employment opportunities because of the labour intensity of the technology utilised. More germane to our discussion is his assertion that linkages to the formal sector by way of subcontracts in general appear as "benign rather than exploitative". (p. 367). Note that nowhere does House indicate whether the "sizeable", putatively dynamic reservoir does constitute a magnitude large enough to lead to qualitatively different results than those indicated by the critics of the "benign approach". Nor does he deal with the question of the impact of these "success stories" on further influx of migrants into this sector which might vitiate much of the "success".

↓ The informal sector dichotomy has not been without its detractors. Much of the debate evolved around the characterisation of the two sectors and the nature of their interrelationship. Neat though the ILO classification is, it has failed to provide a clear empirical content to the sectors (Sandbrook, 1982). Measurement of the size of the informal sector has thus proved elusive and controversial (Sethuraman, 1981). Furthermore, not all the characteristics attributed to the informal sector are as unproblematic as the ILO list would suggest. Take, for instance, the case of "ease of entry". This is easily counterbalanced by "ease of exit" (read: failure). The mortality rate of informal sector enterprises is notoriously high. In addition, the "ease of entry" argument fails to account for the presence of large numbers of people in the sector who are not self-employed but are superexploited wage earners, unpaid family members or apprentices.¹ Were self-employment so easy to generate, it would be irrational for people to sell their labour within the informal sector itself. ILO case studies actually reveal periods of low-income "apprenticeships" that are arbitrarily extended by informal sector employers largely because apprentices have not acquired the requisite capital. Even more telling are studies that suggest that a number of

1. In a study of the Lusaka informal sector, it was estimated two-thirds of the labour force were either wage-earners or unpaid family members (ILO, JASPA 1977b).

petty producers in the informal sector actually have higher incomes than large sections of workers in the formal sector whose aspirations are often to set up their own establishments. Were entry into the informal sector easy, it would be difficult to explain why for most formal sector workers the petty-bourgeoisie aspirations for self employment remain just that - aspirations. "Ease of entry" then must apply to a certain group of people with skills and capital. For much of the labour force being in the informal sector is, therefore, not so much evidence of "ease of entry" but of desperate poverty which reconciles them to employment in this sector in the usually futile hope of either getting formal sector employment or setting themselves up as owners of some enterprise in the informal sector. More graphically most people do not easily enter the informal sector but easily fall into it.

The much vaunted labour intensity of the informal sector and labour absorption is a reflection not so much of the ingenuity of the entrepreneurs and workers in the informal sector (God knows they are ingenious survivors) as it is of the "low equilibrium trap" the sector finds itself in due to low management skills, lack of finance, overcrowding and overestablishment of enterprises. The reverse side of this labour intensity is low productivity, low incomes and arduous working hours. Thus labour intensity is as much an indication of the crisis facing the informal sector as it is a desperate attempt to make do with so little in a hostile and uncertain environment. No wonder most proposals for aiding the informal sector to improve the incomes of the denizens of this sector must by needs lead to greater capital intensity and labour productivity.

One more weakness of this approach has been its failure to give adequate attention to the internal processes of exploitation and dependency between individuals and groups occupying different social and economic positions within the "subordinate formation" (Long and Richardson, 1978). This leads to sweeping recommendations about the sector without consideration of the incidence of benefits and costs on different individuals and groups within the sector. For instance, the calls to remove scrutiny by the State of social and working conditions within the sector exposes large numbers of people to unscrupulous exploitation by employers, a number of whom may be straddling between the formal and informal sector - (a minister owning "pirate" taxis, for instance).

THE SUBORDINATE APPROACH

A much more important criticism of the informal/formal sector dichotomy is directed at the conceptualisation of the interrelationship between these two sectors as basically "benign". The critics of the "benign relationship approach" can all be put under what Tokman (1978) has termed the "Subordination Approach". Most writers adopting this approach have tended to apply the Myrdal Prebisch Metropolitan-Centre analysis of international economic relations to the national scene. Although most writers adopting this approach eschew the informal/formal sector terminology, preferring, for instance to use the term "petty commodity producers", we shall stick to the former terminology if only because, for better or worse, the term has gained currency in official circles. As the name suggests, this approach sees the relationship between the two sectors as involving subordination of one sector (the informal one) by the other (the formal sector). Within the "subordination approach" two outcomes have been predicted. One predicts the "marginalisation" of the informal sector while the other predicts further "exploitative integration" of the sector into the capitalist system. Although a number of authors have tended to blur this distinction, treating these outcomes as one (Sandbrook 1982), it has important analytical and policy consequences. We shall therefore treat these outcomes as quite distinct although they both derive from the notion of subordination.

The marginalisation thesis is generally associated with the work of Quijano (1974). According to this thesis, the pattern of accumulation in the periphery capitalist countries has tended to render informal activities increasingly dysfunctional or, at least, afunctional. The key to this process is the capital intensity of an accumulation process which is technologically dependent on transnational firms. The capital intensity reduces the labour absorptive capacity of industrialisation. Furthermore the industrialisation process displaces workers not only in the formal sector but also in the informal sector by flooding the latter with cheaper goods and thus destroying its economic base. In addition, the "international demonstration effect" engendered by the commercial activities of transnational oligopolies biases consumption patterns against informal sector products. Complementary to this thesis is the thesis of a "wage technique" spiral set in motion by the conflicts and co-existence between oligopolistic firms and a "labour aristocracy". As developed for Africa by Arrighi and Saul (1968) and Arrighi

(1970) the argument goes as follows: For oligopolistic firms using capital intensive techniques, labour costs are a relatively minor component of production costs. Given their "ability to pay" and their desire to create a disciplined and stable labour force, the oligopolistic firms will be prepared to pay wages much higher than the going rate or the officially declared minimum wages.

One consequence of these policies is the emergence of a well-organised relatively well-paid "labour aristocracy" which, through its union activities has pushed for further wage increases. This in turn has forced the oligopolistic firms to adopt even more capital intensive techniques. The higher surplus generated by these techniques in turn increases these firms' ability "to pay" and readiness to concede to demands for higher wages by the "labour aristocracy". And so a wage technique spiral has been set into motion. The mirage of high wages accelerated rural-urban migration but the expectations of the new migrants have been frustrated by a choice of technique that is labour-saving.

The upshoot of the process described by Quijano and Arrighi and Saul is the creation of a large urban surplus. However, unlike in the Marxian case, this labour surplus does not constitute a "labour reserve army" since it has no effect on wages, choice of techniques or the bargaining position of the employed labour force. It is thus marginal and a function to the process of accumulation.

Literature on both Latin America¹ and Africa has cast doubt on this scenario. The notion of a "labour aristocracy" has been challenged in the context of Africa and Arrighi and Saul have been accused of over-generalising the Southern African experience where the removal of racial barriers may have led to Africanisation of white privileges and probably created a "labour aristocracy". For the rest of Africa neither the incomes nor the political compartment of the working class (especially its populist proclivities) suggest the existence of such a labour aristocracy (Peace, 1975; Jeffries, 1975). More important, however, is that the marginalisation thesis explicitly in the work of Quijano and implicitly in the "labour aristocracy" approach, does not correctly formulate the articulation of the two sectors. This is a criticism explicitly advanced by Marxists. The point of departure

1. For a review of the Latin American debate see Roberts (1981).

of this critique is the proposition that "modes of production" are articulated with one another within socio-economic formations or societies in such a way that, generally speaking, there is one dominant mode which has a controlling influence over subordinated modes (Long and Richardson, 1978). The analysis then focuses on ways in which subordinated structures are functional for the reproduction of capitalist relations and for which the former are conserved or dissolved.

In other words, how does the articulation with the dominant mode influence the reproduction of non-capitalist relations of production? Some Marxists argue that the constant reconstitution and subordination of the pre-capitalist petty producers (read: informal sector) constitutes a "neocolonial or periphery capitalist" sui generis. While, historically, capitalism in the centre capitalist economies strove for and achieved dominance and exclusivity, in the periphery capitalism has managed to be dominant without being exclusive. (Amin, 1974).

Thus, the subordination involves not marginalisation but "exploitative integration". Before looking at the implications of this approach it may be useful to recap Marx's theory on the role of the "Army of labour reserve". In the Marxian model of accumulation, the informal sector (as part of the pre-capitalist economy), would serve two vital functions. Firstly, it would reproduce and maintain the reserve army thus facilitating accumulation, by being able to always release cheap labour to the formal, capitalist sector. Secondly, it would facilitate the accumulation process by weakening the bargaining position of labour in the formal sector thus forcing down wages, thereby permitting higher profits in the formal sector to finance further accumulation.

The "exploitative integration" view of the subordination approach posits a scenario akin to that of Marx. However, the informal sector, in addition to performing the role assigned to it in the Marxian model, has other roles. First, it subsidises the consumption of urban workers, thereby lowering the real wages they must receive to sustain and reproduce themselves thus allowing the oligopolistic sector high profits. (Davis, 1978; Gerry, 1978; LeGrun and Gerry, 1975). Where subcontracting to the informal sector takes place, it lowers the cost of inputs and various services demanded by the oligopolistic sector.

Clearly in this case of "exploitative integration" the informal sector has a functional, albeit subordinate role. Whether this role entails "involution" as argued by Sandbrook (1982) or leads to a kind of "dependent" or "associated" improvement in the absolute per capita incomes of the sector is not only of theoretical interest but has far reaching political consequences. Sandbrook and others argue that the "involution" of the sector is structural, being a reflection of the oligopolistic capitalist mode of production which manifests itself "in the manner in which the formal capitalist mode moulds and uses the noncapitalist and petty capitalist forms to augment capital accumulation". This makes reformist policies towards the informal sector rather misguided since most of the policies considered as deleterious to the informal sector are not a contingent but a necessary aspect of the periphery capitalist model of accumulation. It should however be pointed out here that subordination and even exploitation does not, in Marxian terms, negate accumulation in the subordinate sectors. The debate on the phenomenon of "associated dependent accumulation" (Cardoso, 1972) in the newly industrialised countries (S. Korea, Brazil, Mexico, etc.), suggests the need for a greater precision in the exact mechanism expected to induce involution or to lead to improvements in the informal sector. Much theoretical and empirical work needs to be done here.

Evidently which of these approaches one adopts has profound analytical and policy implications. We shall later have occasion to relate this discussion to the specific case of Zimbabwe.

THE "LABOUR RESERVE" SYNDROME, URBANISATION AND THE INFORMAL SECTOR IN SOUTHERN AFRICA.

There are several features of the Southern African economies and forms of urbanisation that have had profound effects on the growth and character of the informal sector in the sub-region. One salient feature is the relatively low levels of urbanisation on these countries' eve of independence. If we take the case of countries classified by the World Bank (1981) as "low income" countries (Malawi, Mozambique, Lesotho, Swaziland) we find that in the 1960s their average level of urbanisation was far below the 9 per cent average for that income class in Sub-Saharan Africa. For the "middle income" countries, only Zimbabwe's rate of urbanisation in both 1960 and 1980 (with 23 and 38

per cent respectively) was higher than the average for the income class. Not surprisingly, given the low levels of urbanisation, some of the highest rates of urbanisation in the sixties and seventies have been witnessed in this subregion.

A second striking feature of the sub-region's urban agglomerations is their appearance and spatial lay-out. In sharp contrast to West Africa's ubiquitous hawkers and countless small workshops, we have the neat, well laid-out centres of Southern African cities with their ever present sprawling "locations" or "compounds" monotonously laid out in rows after rows of "huts"¹ on the one side of town and the exclusive (previously racially so) suburbs and their well-manicured lawns and gardens. Unlike the West African residential areas, the "native" residential areas of Southern Africa are not a result of spontaneous construction of houses in areas specially designed by colonial authorities for the indigenous population, but are usually carefully planned and regulated housing schemes covered by such laws as Rhodesia's Natives' Urban Areas Accommodation and Registration Act.

A third feature, which is a corollary of the two features above, is the invisibility of informal sector activities. This is not only a visual misconception but a reflection of the actual smallness of the sector. The sector is rendered more invisible by its lack of propinquity to the major commercial and industrial areas; zoning laws having seen to that. Observers who know much about the informal sector in Africa and other Third World cities have often been startled by this insignificance of the informal sector both in terms of output and employment in the Southern African sub-region. Thus the ILO/JASPA Mission to Swaziland, whose terms of references required that the mission study the potential of the informal sector to generate income opportunities and recommend measures for enhancing its capacity for rapid growth, was "struck" by the "absence of substantial informal sector activities to the same scale as in other African countries" (ILO/JASPA, 1977a). Another ILO/JASPA mission to Zambia found that at the time of independence the informal sector was "unbelievably weak as compared to the formal sector" (ILO/JASPA, 1977b).

1. The term "hut" referred not so much to the size or appearance of the house as to the colour of the occupant. Thus regardless of the size of the house, as long as the inhabitant was black and the house was in the "location" it was a "hut". Accordingly white residential areas had "house numbers", the African residential areas had "hut numbers". Just as men were "boys" so were their houses "huts".

Several explanations of these differences have been advanced. Some attribute them to the number of Europeans in the different sub-regions, their numerical strength being said to account for the orderliness of Southern African cities. The prevalence of the informal sector in West Africa is attributed to "tradition" or entrepreneurial endowments of Western Africans. Like most racist theories none of them can stand closer scrutiny. We shall therefore not dwell on them and instead we shall proceed to examine a set of explanations that have some basis in African experience and history.

The ILO/JASPA missions attributed the smallness of the informal sector to (a) relative newness and smallness of urban centres (Swaziland); (b) restrictive laws and regulations such as those requiring all businesses to be licenced; (c) lack of socio-economic infrastructure conducive to productive economic activity; (d) competition from the internal formal sector and imports; (e) "indifference to the (sector's) existence or the belittling of its significance and the chasm between this sector and the formal sector" (ILO/JASPA, 1977a, p. 136). While these observations contain substantial elements of the truth, they are so general as to beg the question and fail to capture the specificity of the Southern African experience. More specifically, the Mission's lack of historical sensitivity is evinced by their bewilderment at the smallness of the informal sector in this sub-region. Although the report on Zambia referred to protective measures which are "either based on some wrong conceptions, or were imported by the colonial authorities or were imposed in the interest of protecting the large expatriate businesses or the peace and environment of the areas in which expatriates lived", it fails to provide the historical mechanisms that generated these laws and the structural implications of these mechanisms not only on the quantitative magnitudes of the informal sector but on its qualitative relations with the formal sector.

Against these we pose the contention that to understand the development of African urban agglomerations, their structure and functions, one must first grasp the forms in which the different regions of Africa were integrated into the world capitalist system. Amin (1974) has characterised the forms of integration of Black Africa into three categories:-

(1) Africa of the cash economy (l'conomie de traite) - West Africa

- (2) Africa of the labour reserves (Southern Africa)
- (3) Africa of the concession-wing companies (Congo, equatorial Africa).

There has been some debate about the geographical precision of this categorisation and problems of overlap. Thus for all practical purposes a country such as Bourkina Fasso had the same labour reserve role vis-a-vis Ghana and Ivory Coast as Malawi played in her relationship with Rhodesia and South Africa. Nevertheless, with all such caveats in mind, this categorisation does highlight the dominant features of the colonial experience of the respective regions. For our purpose, we shall only consider the categories (1) and (2). We shall therefore elaborate on these two categories in greater detail.

The "cash crop economy" as the name suggests, was integrated into the world economy as a producer of primary tropical products largely by small indigenous producers. Although in the initial stages forced labour - the corvee labour system - and compulsory deliveries of commodities were used to extract crops from the indigenous population, this was soon abandoned and "market forces", heavily assisted by a whole range of economic and non-economic pressures to induce the indigenous population to enter the market by producing cash crops, became the major driving force. Poll Taxes, alliances between foreign merchant capital and traditional rulers, the disappearance of certain traditional artisanal products and changing consumption patterns gradually made the earning of specie a necessity among the indigenous population.

What is of crucial importance for our discussion here was the position and deployment of labour in these economies. Because of the preponderance of merchant capital in these economies, capitalism never directly entered production¹ and therefore the interface between foreign capital and indigenous labour was not in production but in circulation and exchange (Suret - Canale, 1964). Surplus extraction was therefore confined to non-equivalence of exchange in the market rather than in the process of production. There was therefore no imperative for the separation of direct producers from their means of

1. Several experiments at introduction of plantations or settler farms were attempted but were all abandoned not only because of climatic and ecology difficulties but largely because much of the merchant capital which had been established during the slavery period, found mercantile activities much more lucrative and objected to any changes in the historical relationship with the indigenous economy. (Munro, 1976, Rodney 1972).

production. The confinement of merchant capital to trade and the existence of a vast number of indigenous middlemen directly collecting produce from small-scale producers left room for the emergence of African capitalists. It also spawned a whole range of economic activities dominated by Africans - small repair workshops, retail shops, transport companies, etc. that were the predecessors of the modern-day "informal sector". Most significantly, because, except for some large-scale construction schemes such as railways and ports, merchant capital and the Colonial State were not in dire need of direct employment of labour, foreign capital did not feel threatened by indigenous economic activities as long as these managed to deploy labour in such a way as to permit continued and expanded production of cash crops. Consequently there was no need for the arsenal of restrictions of indigenous economic activities such as those most devilishly incarnated in the "pass laws" of Southern Africa. Movement of labour was relatively free and so were the "spontaneous" activities that emerged around the new trading centres.

In sharp contrast we have the Southern African situation where mining and settler capital called for "collection of labour", as the strict regimentation of labour was euphemistically termed. In this region economic policy towards the indigenous population consisted largely of the institution of draconian measures to force the African population towards wage employment in the mines and settler farms. These included forced labour (Chibaro), creating of "native reserves", promulgation of strict laws of movement in the white areas (Vagrancy Acts, Pass Laws, etc.), establishment of comprehensive labour recruitment organisations, introduction of discriminatory pricing policies against whatever peasant agriculture was permitted, outright prohibition of production of certain crops, burning down of peasant farms and grain stores, levying of "hut" taxes ad infinitum. The variety of devices and strategies used on both the state and individual capitalist level are well-documented by Van Onselen (1980). Labour was to be made available to the "white economy" at the lowest possible wage rate. Consequently all other economic activities outside the white economy were discouraged or prohibited.

To summarise, while in the cash economy the main function of the State was to ensure that production of cash crops, in the reserve labour economy the main function of the State was the provision of a steady flow of cheap

labour to the mines and settler farms and the systematic plugging of any "leakages" of labour to any other economic activities which enabled labour to reproduce itself without recourse to the "settler economy" (Meillassoux 1981, Arrighi 1973). Clearly, while the cash crop economy could accommodate the spontaneous growth of an informal sector, the labour reserve economy was structurally inimical to such "spontaneous" activities.

Parenthetically, it may be useful to recall here how collaborationist social scientists, to use Meillassoux's (1981) apt description, sought to give theoretical justification to colonial practice in the various regions. The rapid growth of cash crop exports and the steady flow of profits earned by mercantile capital without any prior inflow of foreign capital led to the view that trade provided the cash crop economies with a "vent for surplus" (Mynt 1960). Implicit in this theory was an image of indigenous populations wallowing in unwanted leisure time which trade was able to harness for production of cash crops. For the labour reserve economy, a different argument was advanced. The continued flow of labour to the "White Economy" even in face of declining wages was explained by positing a labour supply curve that was "backward bending" or, as a corollary, by portraying Africans as "target workers" who could only be stabilized by making their targets increasingly difficult to attain (through low wages or high taxes).

These theories, intentional or unintentional apologetics for low commodity prices and wages, had nothing to do with the reality of:-

- (a) forced labour and forced deliveries of crops;
- (b) changes in the division of labour in the indigenous economies with women increasingly assuming the burden of food production while men concentrated on export crops or sought wage employment. These changes further led to a decline in a number of indigenous economic activities such as crafts and food production and the
- (c) intensification of traditional forms of surplus extraction as traditional rulers collaborated with merchant capital to increase export.

Nevertheless, they remain good reminders of what strange uses social science can easily be put to.

THE CASE OF ZIMBABWE

Historically, it was always part of settler mythology that there were "labour shortages" in Zimbabwe. This mythology permeated official thinking so much so that even as late as 1974 the Minister of Labour unequivocally claimed that "there is no unemployment in Rhodesia" (cited by Clarke, 1978). For years official statisticians had been engaged in what Clarke (1978) aptly calls "statistical acrobatics" to establish this claim. And even when the evidence had become so overwhelming as to compel the government to recognise the widespread unemployment, official recognition of the issue remained "relatively muted while in terms of practical policy little was done to alter conditions of unemployment" (Clarke, 1978). The government's view was not only a reflection of the "labour shortage" myth referred to above, but also of the belief in the efficacy of the labour control measures that the regime had instituted over many decades. These measures would have had the Africans either fully employed in the "White" economy or living happily and safely in the "Tribal Trust Lands" from where they could be drawn upon whenever needed. Therefore urban unemployment could not exist let alone the embryonic informal sector which could not be but an unfortunate leakage of labour or "squatter problem".

The new post-independence government could not afford the luxury of such self-deception. The official economic policy statement Growth With Equity (Government of Zimbabwe, 1981) immediately identified generation of employment as one of its major immediate objectives. Interestingly, the document stated that government will, among other things, provide the informal sector "with the necessary infrastructure and assistance to promote productive employment". Thus, being a "late-comer", Zimbabwe was the only African country to incorporate the informal sector in its first policy statements.

Official recognition of the informal sector is more pronounced in the National Transitional Development Plan (1982-85) which not only makes recommendations but puts forward an explanation of the roots of the informal sector, its problems and even class character. The Plan states the reasons for the emergence of this sector and the promise it holds as follows:-

"rapid population increase and the failure of the modern

sector to absorb much of the net additions to the labour force together with substantial influx of rural migrants into urban areas and the need or desire to supplement incomes from formal employment has given rise to a large vibrant and dynamic sector. Its exact size is unknown, even though casual observation suggests that it is a large employer of labour and supplies a wide variety of goods and services to the economy. Since entry is free and unimpeded, the goods and services of producers are competitively priced though in some instances there could be grounds for concern about the levels of quality especially for some services". (p. 14).

However, the sector's further expansion was bedevilled by a number of constraints. There were the Accommodation and Registration Acts which over years restricted Black residence to areas set aside for the purpose and duration of employment. As Patel and Adams (1981) have succinctly put it, "Blacks were tolerated in towns as workers but not as urban dwellers; they were in town but not of the town". In addition there was the constant police harassment and the racist licensing laws.

Between the publication of Growth with Equity and the National Development Transitional Plan, The Riddell Commission published its findings. The Commission's Report was rather sceptical about the promise of the informal sector in solving the employment problem. Criticising the approach that places the employment creation task on the informal sector, the Commission stated:

"This type of approach to the informal sector ignores a number of critical factors. Firstly, in some respects the rise of the informal sector is a consequence of a lack of alternative employment opportunities and the fact that many who work in the informal sector appear to receive very low wages indicated the residual nature of the sector. Secondly the informal sector cannot be viewed as distinct from the formal sector. Thus policies to encourage labour intensive small-scale production in the formal sector will have a direct function of the informal sector".

The National Transitional Plan concurs with the Commission's explanation of the origins of the informal sector. Furthermore, the Plan is aware of the low wages in this sector and the presence of or potential for exploitative relations within the sector. In the analysis of classes presented in Chapter III the informal sector proprietors are squarely placed in the petty bourgeoisie class and the Plan calls for the State to "guard against the selfish desire to develop their individualism and transform themselves into the middle bourgeoisie" (p. 19). It thus calls upon the State to assist the sector in forming co-operatives so that it

can provide services to the people "in a socialised way". Where the Plan is less clear is on the relationship between the formal and informal sector and the structural function of the informal sector during the transitional period. We already indicated that historically the Zimbabwe economy was so devised as to make the informal sector virtually non-existent by encouraging provision of goods and services entering the wage basket by the formal sector itself. Whatever emerged of the informal sector was therefore marginal to the accumulation process in the formal sector. Presumably then the set of policies recommended by the Transitional Plan would "demarginalise" the informal sector, integrating it fully and deliberately with the formal sector. Since the Transitional Plan is based on the assumption that a dominant share of investment in the industrial sector will be by private capital, albeit with increased participation of the State, unless this is accompanied by a radical change of the "rules of the game", the integration of the informal sector with the formal sector can easily be exploitative in the sense discussed above and can merely lead to the cheapening of the reproduction of labour for the oligopolistic sector without necessarily improving the incomes of the lot of the people in the informal sector. This is the first dilemma of the Plan.

A second dilemma of the Plan is thrown up by the problem of social differentiation and exploitative relations within the informal sector itself. Although the Plan is aware of this aspect of the informal sector, it proposes a set of policies that implicitly treat the informal sector as a homogenous sector of self-employed workers who will (a) be relieved of past forms of unjust harassment and unfair competition, (b) be provided with infrastructural support and, (c) be assisted in organising co-operatives. Yet experience elsewhere shows clearly that this sector is highly heterogeneous and that the superexploitation of wage labour underpins the sector's existence and expansion. Indeed "success" of the informal sector, however that is defined, depends on the sector's ability to escape laws intended to protect workers. Thus enforcement of minimum wages, health and safety standards or social security would destroy the very foundations of this sector.

A third dilemma faced by the Plan evolves around definition of "success" in the informal sector. Should the policy of co-operatives succeed, then much of what gives the quality of informality to the sector would disappear. Some of the characteristics that make this sector such a great absorber of the residual labour force - its "ease of entry and exit", its extensive

as opposed to intensive form of accumulation, its cheap labour and arduous working hours (self-exploitation) - would hardly be compatible with the new co-operative structure. This in itself is not to be bemoaned. After all, except for some "informalist" who even visualise "informal development" as an objective in itself, few believe that this sector should be a permanent feature of a developing economy - capitalist or socialist. The fundamental problem that a "co-operative informal sector" (whatever that means) poses is the relationship between such a sector and the corporate sector which in the transitional period, at least, will dominate the accumulation process. Furthermore, there are the organisational problems of setting up co-operatives in the informal sector. First, there is a simple problem of survival of co-operatives in an otherwise capitalist environment which conditions the petty capitalist in the informal sector towards extremely individualist aspirations. Second, given the high levels of social differentiation and exploitation within the informal sector itself, any attempts to create co-operatives on the assumption of assisting a homogeneous group of "the working poor" is likely to run into exactly the same type of problems that frustrated rural co-operatives based on the assumption of an indifferentiated peasantry - patron-client relationships, corruption, bureaucratisation and demoralisation of large sections of the membership.

If, on the other hand, the co-operative option is not successfully implemented and the State contends itself with the removal of barriers against the informal sector, then we can expect the social differentiation to increase and the emergence of a "transitional class of petty capitalists who can eventually be incorporated into the expanding formal capitalist base of the economy..." (Davis, 1976). This evolution of the informal sector and the emergence from it of a "middle bourgeois", is not favoured by the Transitional Plan. Yet what other goals exist for the informal sector employer other than becoming a member of a "middle bourgeois"?

CONCLUDING REMARKS

The particular case of the informal sector in Zimbabwe requires more detailed research and, indeed the government, fully aware of the need for more research into the sector before tackling the problems it raises, states:-

"Government will ... seek to promote research into the socio-economic impact of the informal sector in order to understand better the role and importance of this sector in the economic and social development of Zimbabwe". (Government of Zimbabwe, 1981, p. 10)

The main thrust of this paper is not directed against small enterprises per se. Rather we have sought to underline the historical specification of the Southern African region to bring out the peculiarities of the environment within which small enterprises will have to perform. We have stressed the need to understand the structural links between the formal and informal sectors and the internal mechanisms of surplus generation within each of these sectors. It is nevertheless our contention that too much faith in the informal sector may be misplaced. If small industry is in the long run to play a dynamic role in the industrialisation process then, as Sutcliffe (1977) rightly argues, "it will have to be because it is efficient enough to compete with other production and not because it is an efficient sponge for urban employment". To achieve this, very little of that sector's informality will be allowed to exist, for either co-operatives will have to be created or full-fledged small-scale capitalist enterprises, formally linked to the corporate or state sector (through sub-contracts, credit, etc.) will have to emerge. Whether this link is complementary or exploitative will depend on the dominant mode of production in the particular social formation. It is probably wiser to already begin thinking along these lines than to be under the illusory expectation that the informal sector will spontaneously evolve towards any of these two organisational options.

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