

The informal sector in Namibia

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October 2004

Defining or describing what the informal sector has been considered one of the toughest jobs and distinguishing it from the formal sector is even harder (Van der Linden, 1993). What might be considered informal in one country might not apply in another. Some have defined it by using the poverty approach, while others use the size of the business and the number of employees. Some use unregistered status and inability to pay tax as guidelines to define the informal sector. The ILO defines the informal sector as: *“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 utilise a low level of technology and skills; and which generally provide very low irregular incomes and highly unstable employment to those who work in it” (ILO 1991, quoted in Torres 1998).*

Due to the many facets of informal sector, the best approach is to have country specific definitions. In Namibia, a definition that has been given in the Indicative Plan for Namibia for the informal sector industries is as follows:

“Informal sector industries are characterised by being unregistered, either because of their semi-legal (sometimes illegal) status in relation to a plethora of regulations more appropriate to large formal firms in a more developed environment or because their turnover is below the level requiring registration for tax purposes” (Stoneman; 1991:58, quoted in Van der Linden, 1993).

Unemployment and the informal sector

Namibia, like all countries in the sub-region is faced with a big problem of unemployment and underemployment. The problem of unemployment and underemployment is likely to grow given that the rate of population growth between 1991 and 2001 is 2.6% per annum. At this growth rate, the population of Namibia will double in 27 years time. Overall, Namibia has an unemployment rate of 33.8%. The unemployment rate is higher for women (39%) compared to that of men (28%) and stands at an alarming level of over 60% among young people under 25 years of age (MoL 2000; Jauch 2004). The informal sector has become an alternative avenue for employment due to the stagnation in productive wage employment. Thus an increasing number of black Namibians have turned to self-employment and other forms of informal sector activities in urban and rural areas as a means for survival.

The informal sector's contribution to the economy is still very small, with retailing and distribution dominating the operation of the sector rather than manufacturing activities. The informal sector in Namibia has its origins in the past policies of apartheid which were designed to secure cheap black labour for the white-dominated the mining, commercial agriculture and manufacturing industries.

Halbach / Schonherr gives a rough estimate of the size of the informal sector businesses as 15 000 of which 8 000 are retail stores in the north (Halbach/ Schonherr as quoted by Seich, 1995). At the moment there are no accurate statistics as to how many businesses there are in the informal sector and the number of people employed. The lack of statistics could indicate a lack of interest in this sector and the perceived insignificance it plays in the economy. Nonetheless, the informal sector provides jobs and incomes for and estimated 60 000- 80 000 people.

The number of dependents supported by income derived from the informal sector is considerable. Both surveys carried out by LaRRI (2002) and Norval & Namoya (1992) revealed that most people working in the informal sector had dependants to support on their meagre salaries. A survey that was carried out in Windhoek among 388 informal sector operators revealed that about one-third of the operators supported less than five people, over 40 % supported between five and ten people, while 10 % supported more than ten members of their families (Norval & Namoya; 1992, as quoted by Seich, 1995). The study carried out by LaRRI revealed that over 95% of SME workers supported dependants, despite their low salaries (Karuuombe, 2002).

Characteristics of the informal sector

In Windhoek, the majority of the people (70%) operating the informal sector are migrants from rural areas (Norval & Namoya; 1992, as cited by Seich; 1995). In Namibia, the range of activities that are considered as informal are:

- Subsistence farming
- Crafts (including: woodwork, pottery, handicraft, basketry, jewelry-making, leatherworking, weaving, sewing and furniture- making)
- Small scale manufacturing (including: bread-making, tailoring, food catering, candle-making and confectionery)
- Small-scale mining
- Small- scale construction (including: building, brickmaking, plumbing, welding, carpentry and electricity)
- Informal services (including: transport, repairs of cars, shoes, electric household appliances, gardening, domestic work, and shoe polishing)
- Informal trade (including: rural informal markets (Cuca shops), urban informal markets (e.g. Katutura single quarters), informal cross-border trade (e.g. along the Namibia-Angola border), informal meat markets (bushmarkets in rural and urban areas), informal mahangu marketing and informal/illegal diamond smuggling (Van der Linden; 1993).

Due to the limited data on the size of the informal sector in Namibia, this paper will draw heavily on the survey carried out by Norval and Namoya in 1992 in Windhoek, the

2002 LaRRI survey on SMEs and the 1997 report on the informal sector by the Ministry of Labour which was carried out in all the thirteen regions of Namibia.

Gender distribution in the informal sector

The survey conducted by Norval & Namoya (1992) revealed that more men (55%) than women (45%) are in the informal sector in Windhoek. This could easily contradict the general belief that more women participate in the informal sector than men. But at the same time, these findings should be treated with caution, as the study was only carried out in the Windhoek City. Generalising these findings to other places, especially in rural areas could be misleading. The same study revealed that most people active in the informal sector have migrated (with the trend that most migrants are males in search of jobs) which might explain why this sector is dominated by men in Windhoek.

Age distribution in the informal sector

The Windhoek study found that 75% of the informal sector operators fell into the age group of 15-40. They are not excluded from the formal sector because of their age but for other reasons. The LaRRI study on SMEs supports this finding it also found that the majority of the people employed in the SMEs are younger than 35 years of age. Most of them were single (71%) compared to 27.9% of the respondents who were either married or cohabitating (Karuuombe, 2002)

Level of education

The national survey of 1997 revealed that approximately 7% of the owners of the informal sector enterprises had no education, 9% could read and write, 58% had primary level of education, 21% had secondary level education while 4% had tertiary education. These findings show that most of the people in the informal sector had some form of education and are not altogether illiterate.

Distribution of businesses

The majority of the informal sector businesses were in trade (53%), followed by manufacturing (26%) and repair services (13%). A further 6% were in "other services" (MOL, 1997).

Distribution of premises used by owner's sex

The MOL survey (1997) looked at the kind of premises used by the businesses in the informal sector. The findings revealed that over half (52%) of the respondents operated from permanent premises, 25% were in open spaces and the rest (12%) operated from temporal premises. The survey revealed that 56% of the males operated from permanent premises, 19% from open spaces and 12% from temporary premises. With regard to women owned businesses, 47% operated from permanent premises, whereas 33% operated from open spaces and a further 13% operated from temporal premises. The most interesting finding in this respect is that more females (33%) compared to males (19%) operated their businesses in open spaces. This means that more women could not afford to operate in permanent premises or even temporal premises.

Problems faced by informal sector operators

The survey that was carried out by the Ministry of Labour revealed the following problems as the ones being faced by the informal sector operators:

- Lack of funds
- Lack of space
- Licensing regulations
- Lack of demand for their products
- High cost of raw materials
- Lack of transport
- Eviction by force and theft (MoL,1997)

The survey carried out by the Ministry of Labour gave an insight as to the understanding of the informal sector in Namibia. The Ministry of labour has since then carried out another study on the informal sector, which has not yet been published.

Working conditions

The study conducted by LaRRI revealed that the SMEs (not all of whom are part of the informal sector) employ full-time, part-time and temporal, casual and contract workers (Karuuombe, 2002). The retail and wholesale sectors proved to provide the most permanent jobs (30.4%), followed by maintenance (10.5%), wood processing (9.7%) and transport and communication (9.3%).

The LaRRI survey further revealed that more than half (52.9%) of the SME workers had been employed before joining the small business sector. Out of this group, 34% reported that they had been dismissed or retrenched from their previous jobs.

The key findings of LaRRI's study were:

- Employment in the SME sector seems to be of a short to medium term duration as more than half of the respondents have been with their employers for a few months to two years.
- The average income in the SME sector appears to be around N\$650 but more than half earn below N\$500 per month. Most SME workers have no secondary source of income.
- SME workers receive few benefits and even compulsory benefits (like annual leave and membership with the social security fund) are only enjoyed by a minority.
- The average full-time income in the services sector tends to be much higher than in the manufacturing sector.
- Salary increases and promotions occur regularly in the SME sector.
- Most SME workers regard their workplaces as safe.
- There is almost no child labour in the SME sector.
- Most of the training provided to SME workers is of short duration (a few hours) and takes the form of on-the-job training.

- The unionisation rate in the SME stands at about 10%. The majority of workers in the sector are open and receptive to unions but lack information, as unions do not reach out to them.
- Despite workers' high levels of satisfaction with their jobs and their employers, most SME workers would want to work in the public sector or in a large private firm. In other words, Namibian SME workers are in the sector because of a lack of alternative employment.
- Regarding gender, no real differences exist between men and women regarding the type of employment (i.e. full-time), the duration of employment, job satisfaction, salary increases and promotions, payment punctuality and number of dependants. However, while more women are covered by the Social Security Fund, women are concentrated in the lowest salary categories with over half earning less than N\$500 per month. Women tend to be paid less than men despite the fact that they had higher levels of education than their male counterparts. This is a clear indication of gender discrimination.
- Low salaries and a lack of benefits are the biggest problems experienced by SME workers.

Recommendations

The colonial regime succeeded in inhibiting the growth of the sector and competition from South African companies is a major threat for Namibian SMEs today. This is especially true for SME operators in the wholesale and retail sectors in northern Namibia where some successful SME operators feel the pressure of competition from Shoprite and other South African chain stores. As a policy recommendation, government should guard against the creation of an environment in which small operators are pushed out of business by transnational companies who then expatriate their profits to their country of origin. Nurturing small operators is desirable in that they are labour-intensive and thus create and sustain more jobs than larger business sector.

The SME sector is a significant employer with at least 60 000 jobs, mostly on a full-time basis. Trade unions should play a role in formalising and strengthening labour relations and employment conditions, for example by encouraging employers in the sector to extend employment contracts to their employees. Unions can play a critical role in assisting with the creation of such contracts with the aim of including at least all minimum conditions of employment as stipulated in the Labour Act (1992) and other relevant legislation. The task of trade unions should also include recruiting members, monitoring the implementation of terms and conditions of such contracts, and negotiating better conditions of employment for SME workers. Unions could also lobby government to create conducive conditions for the SME sector to grow. This would result in increased social benefits from SME employment and also contribute to a more locally-based and integrated economic development.

Special targeting strategies should be devised which for instance take cognisance of workers' insecurity due to the lack of employment contracts, low educational levels, and the rather informal labour relations atmosphere that prevails in this sector. The targeting

and servicing of workers in this sector should not just be turned into one of the many union activities but there should be specially designed programmes whose progress can be reviewed regularly. SME workers are open to be recruited by trade unions should any serious attempt be made to unionise them.

The temptation for unions to neglect workers in this sector because of their low salaries and therefore small membership contributions as well as the wide geographical spread of their workplaces should not discourage trade unions. The SME sector is home to a large number of workers and trade unions have a social responsibility towards the most vulnerable workers.

Unions should target both sexes for membership but due consideration should be given to the recruitment of women who are concentrated in the lowest wage categories. Their openness to trade unions was demonstrated by LaRRI's findings of higher unionisation rates amongst women than men (Karuombe 2002).

Employment in the SME sector seems to be of a short to medium term duration but there are a number of positive trends and practices which if cultivated can ensure staff retention in the sector. One such trend, which can form the pillar of staff retention, is the friendly and conducive employer – employee relationship that prevails in the sector. If challenges such as low salaries and lack of benefits are attended to, the positive relationship is likely to grow and it can serve as an incentive for workers to keep their jobs in the sector. Regular salary increments and promotions as well as proper salary scales could be another incentive. Such salary scales should take into account the value of women's jobs as women seem to receive most promotions compared to men but ironically continue to receive salaries that are lower than those of their male counterparts. A third important pillar to build on is the training of workers in the sector. It might be worthwhile exploring the link between more systematic training for SME workers and increased output/better working conditions which in turn would encourage workers to keep their jobs.

The findings of the LaRRI study in 2002 indicate that the earnings of workers in the SME sector are low and the benefits enjoyed are few. This poses the biggest concern for SME workers, especially in light of the dependency ratio per worker in this sector. This is exacerbated by the fact that the majority of workers in the sector do not have any other source of secondary income. Improved conditions of employment should be seen as being in the interests of SME workers, unions as well as SME owners, service providers and government because improved conditions will help to raise living standards, productivity, and demand for local goods. It should thus be a central element of an SME development strategy.

Generally workers in the SME sector seem not to have real concerns about their workplace safety. However, the few business clusters or industries such as construction and the transport and communication sectors in which workplace safety was a concern should not be ignored. The provision of safety equipment at the workplace is found to be inadequate and we recommend that labour inspectors and the health and safety departments of unions pay particular attention to this issue. Labour inspectors and other

government officials should play an active role in ensuring adherence to basic health and safety standards as well as the basic provisions of the Labour Act and the Social Security Act.

Current government policies such as attracting investments through Export Processing Zones (EPZs) are biased towards large (mostly foreign) companies and pay little attention to the informal sector. As Torres (1998) pointed out, the informal sector needs access to credits, facilities, flexible forms of training, foreign exchange as well as forward and backward linkages with local agriculture and industries. Only then will the sector be able to play its full potential in terms of employment creation and local economic development.

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