



Harnessing the growth of the informal sector to promote Local Economic Development in the Gweru Urban

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ABSTRACT

The continued decline in formal employment, accompanied by the economic decline, rapid urban population growth, has resulted in the rapid growth of the informal sector in urban local authorities. Confederation of Zimbabwe Industries (2014) notes that the sector has become the largest employer constituting 85% of the national employment statistics yet less attention has been given to it. With a pervasive informal sector, urban local authorities have been struggling with how best to respond to the growth of the informal sector. The existing legislative framework seemingly inhibits, for it does not recognise and criminalise the informal sector thereby stifling the growth of the sector that hypothetically in turn can benefit the urban local authorities. With that, this research paper seeks to establish opportunities that come with regularising the informal sector by urban local authorities and the challenges to be encountered, with Gweru City being the case study. In order to harness the informal sector there is need to establish causes of the growth of the informal sector. Lastly an analysis of the challenges associated with the formalization of the informal sector in urban local authorities is carried out. The research methodology for this study was desk research and descriptive qualitative done through in-depth interviews with those operating in the informal sector, the local authority and vendors representative groups. In addition to that, observations were made in terms of the environment where those in the informal sector operate from. Findings show that harnessing the informal sector by the local authorities has the potential to increase revenue for the councils, create employment for the locals and creation of equal opportunities between men, women and the youth. However, there are challenges associated with formalising the sector, which the study established amongst them resistance, lack of financial resources to register and cumbersome and bureaucratic registration process. Conclusively if the sector is harnessed, it can contribute immensely toward Local Economic Development by creating decent employment, better working environment and will contribute immensely to the local authorities' coffers.

Key Words: informal sector, vending, formalisation, unemployment, local economic development, legislative framework



Introduction

Zimbabwe has been grappling with a myriad of economic challenges for more than two decades now resulting in the liquidating and the downsizing of companies' operations resulting in job losses. According to the Confederation of Zimbabwe Industries, (2014:5), the informal sector employs 85% of the workforce across the country. Gweru being the third-largest city has not been spared from the closure of industries that were once vibrant employing large numbers. BATA Shoe Company, ZIMASCO, ZIMALLOYS, Victoria Foods among others, used to be the largest employing companies in Gweru (Mutema, 2014). The result has been the decline in the quality-of-service delivery. The informal sector survives on hand to mouth with paying for services rendered by the local authority being the last priority. According to Moyo, (2018), the long-term effect of the closure and downsizing of the industries contributed immensely to the decline in revenue collection for the Gweru City Council (GCC). This study seeks to establish how the GCC can harness the ever-growing informal sector to promote Local Economic Development in Gweru.

Background and significance of the study

The rapid expansion of the informal sector across the globe has attracted the attention of both scholars and policymakers. Schinder and Friedrich (2002) assert that informal entrepreneurship operations are characterized by easy entry, dependence on local capital with minimum skills required attained not from the formal educational system. The sector provides essential services in most cities across the globe. The majority of the citizens in continents such as Africa, Asia, and South America rely on the sector for goods and services. The sector has become a source of income for the disadvantaged, women and the youths who cannot be absorbed into the formal sector. Kim et al (2005) are of the view that, regardless of the sector's informality, it contributes to poverty alleviation and national development among others, hence the need of it to be viewed not as an illegal act. According to (ILO, 2012) developed nations such as Australia in a bid to manage the informal sector, designed the Hawkers policy that promotes and manages street vending.

World Bank (2014) cited that the sector is the leading source of employment forming the backbone of economic activities in most African cities. The informal sector is common among youths and women accounting for an estimate of 96% and 92% respectively becoming the major contributor towards poverty alleviation. The Food and Agricultural Organisation (FAO) (2007:16), noted that

women are more likely to be in the informal sector than men for a combination of factors including greater household responsibility, unrecognised or low levels of skills and education, decreasing household incomes and occasionally their desire for greater autonomy and flexibility. The contribution of the informal sector, in this case, is expected to continue expanding in the foreseeable future as a result of the rapid population growth in Africa against the declining formal employment levels. World Bank (2014) estimates an increase in the African population of 224 million by 2030 and 730 million by 2050 with the majority of them being absorbed in the informal sector. If harnessed, the sector can create opportunities for economic growth for African countries. However, for this to be possible there is a need for legislative reforms and crafting of better policies. Mazhambe (2014) noted that in African countries, national and local governments have conflicted with the informal sector, viewing the sector as illegal and an enemy of development which is a view that was inherited from colonial rule.

According to ZIPARU(2020), the economy of Zimbabwe has undergone structural changes over the past decade that have propelled the informal sector growth. As the country continues to grapple with economic instability, most companies downsized their workforce and, some even closed. This has forced the labour force to go into the informal sector, with vending emerging strongly in urban areas. The 2000 to 2008 economic challenges faced by the country caused the closure of companies and the remaining companies operated below capacity. This has resulted in the failure to accommodate new graduates, making them resort to the low income and insecure informal sector employment. Mutema (2016), highlighted that those industries in Gweru were operating at 30% capacity utilisation with those retrenched joining the informal sector. Moyo (2020) noted that vending culture had become an imperative part of the urban informal economy. The informal sector in Gweru has proven to be a force not to be ignored, with the city experiencing the continued proliferation of street vending in the central business district. The reduction in formal employment levels and closure of industries accompanied by collapsing incomes and increasing poverty has led to the rapid growth of the informal sector in the city. The effects are also felt by the local authority as evidenced by the failure to accommodate the sector with some operating at undesignated areas and in pavements in central business districts. Moyo (2018), noted that the downsizing and closure of industries led to revenue decline for the city. With the turn of the millennium, revenue streams into the local authorities have been dwindling.

Moyo (2018) further noted that due to multiple factors amongst them closure of industries coupled with poor governance, dwindling central government support, and lack of innovation to have other revenue streams have had a negative effect on the ability of the local authority to deliver services.

Bachmann and MacCleery (2006) noted that the cause of the informal economy growth is a direct result of the decline of the formal sector were a number of industries and companies has collapsed and some operating below capacity with them resorting to labour retrenchments. The local authority of late has not been able to fully integrate the informal sector that has been absorbing the labour force coming from the formal sector and those who would fail to get formal employment calls for the recognition of the informal sector have been growing. The new dispensation government introduced the 2% tax as a way of tapping into the informal sector to contribute towards the national coffers. Prior to the introduction of the 2% tax, at the national level, a standalone ministry responsible for the Small to Medium Enterprises has been in existence. The mandate being to create a conducive and enabling environment for the development and growth of Micro, Small, and Medium Enterprises and Cooperatives. Zimstat (2016) and Gudhlanga (2019), estimate that about US\$7,4 Billion is speculated to be in the informal sector of Zimbabwe's economy. This shows the potential the sector has, that local authorities need to tap into and increase the revenue collection base while at the same time providing a conducive operating environment. This paper seeks to examine how local authorities can harness the informal sector to promote local economic development and the challenges encountered in formalising the sector.

Theoretical Framework

There are a number of theories that support the regularisation of the informal sector. Hernando De Sonto (1989) came up with a legalist theory arguing that the informal sector activities are not that much different from the formal with the difference being formal economy grow faster as those in the informal sector avoids the costs of formalising their operations. The theory further points out several restrictions for those in the informal sector. According to Bernabe (2002) as cited by Moyo (2018), notes that in less developed countries, the informal sector generally is associated with unregulated and unregistered small-scale activities that generate income and employment. However, among the legalistic tenant is the existence of obstacles that create high costs and entry barriers to the formal economy. These are excessive bureaucracy, and a lack of property

rights. The former creates costs and barriers in respect of becoming formal while later imposes penalties for those who remain in the informal economy. De Sonto (1989) through the legalist theory views the sector as having the potential to be a productive sector that is held back by the existing archaic legislative framework. De Sonto (1989) as cited by (Moyo, 2018) argued that if barriers are to be eliminated, the informal businesses can register and contribute significantly to the economy. The theory acknowledges the existence of barriers to formalisation, which this study seeks to establish and the solutions so that the sector can be harnessed to promote Local Economic Development.

Another school of thought that informs this study is the unmet human needs that are essential to survival propounded by John Burton (1972). Marker (2003) notes that these essentials go beyond just food, water and shelter, and include physical and non-physical elements needed for human growth and development. The human needs theory adopted Maslow's ideas to conflict theory, though they perceive human needs differently. The tenants of the human needs theory recognises the existence of negotiable and non-negotiable issues, that is, needs theorists understand that needs, unlike interest cannot be traded, suppressed or bargained for. Such is the case with the closure of the once viable manufacturing industry in Gweru, resulting in loss of formal employment. The closure resulted in massive retrenchment and loss of livelihoods. Those retrenched were left without livelihoods to meet their needs both negotiable and non-negotiable.

Furthermore, the human needs approach supports multifaceted, collective problem-solving models which are also tenants of this theory. Such include consultation meetings in this case between the local authorities, Central Government, Civil Society Organisation, Formal Business Community and the sector (Marker, 2003). The conflict between the informal sector, business sector and the local authorities is now a common feature that has been evidenced by cat and mouse games, destruction of illegal structures erected and losses of properties and investments. The local authorities in this case will be implementing the by-laws that govern their areas of jurisdictions. However, the by-laws are outdated, resulting in conflict between the informal sector and local authorities as the sector defy the by-laws. Therefore, the human needs approach points to the need for the concerned parties in this case the local authorities to dialogue with the informal sector in finding and developing acceptable ways to meet the needs of all concerned. This points to the need to create a conducive environment

for the sector to operate. In return, the local authorities realise more revenue as the sector formalise. A win-win agreement should be reached as human needs theorist notes that needs cannot be compromised as such harnessing the informal sector is of paramount importance to both the local authorities and the informal sector.

Conceptual Framework

The informal sector has been subjected to a variety of phenomena, assessment processes, and terminological differences. Hart (2003) defines the informal sector as low-income activities of the urban poor that are unable to be in the formal sector. Abumere (1989) notes that this is an invisible, underground, non-official, shadowy, unaccounted, and not properly registered economic activity. However, for this paper, according to ILO (2009), informal sectors are very important small-scale units that produce and distribute goods and services and consist of largely independent, self-employed producers mostly in urban areas of cities, some of whom engage the family members or other work and that operate with limited to no capital. ILO (2009) asserts that these economic activities are not included in the state's data on GDP and are not subject to taxation, licensing, and formal contracts. According to the World Bank (2014) the informal sector is associated with the unfavourable macro-economic environment that they operate from. The informal sector operates in poor, hazardous environments with less to no support from governments. The working environments are mostly crowded which can be argued to be evidence of not having enough space to operate from. Since they are not recognized, no space for them to operate from is availed by the responsible authorities, leading them to invade open spaces and areas with hyper economic activities in search of customers leading to congestion, ILO (2009). The sectors tend to have less access to financial assistance to expand their operation from the financial institutions citing the high risks associated with the sector at the same those in the sector not having any form of collaterals required by these institutions. Those involved in this sector continuously operate on a small scale as a result of them failing to access a line of credits to expand. With that, they fail to attract skilled personal, adopt better production methods and acquire new technology leaving them to rely on the lowly skilled personnel, poorly equipped that then leads to low productivity. In addition to that, the sector according to (Shinder and Friedrich, 2002) is not willing to adopt technology to advance/ increase their productivity for that makes them visible to tax authorities as they conduct

their transactions in cash at the same time competing with the formal sector creating a less competitive environment for the formal sector.

IMF (2019) is of the view that workers in the informal sector are likely to be poor as compared to those in the formal sectors for they are no formal contracts and social safety nets. This is also compounded by the fact that the sector operates on a small scale with individual or family ownership and if they are to engage an external it will be only a few. IMF (2019) goes on to further analyse that the prevalence of informal work in the informal sector is linked with inequality, where those employed in the sector earn less as compared to those in the formal sector with a higher wage gap at lower skill levels. Gender inequality was also noted by (ILO, 2019) as one of the characteristics defining the informal sector. The Bank noted two-thirds of low and lower-middle-income countries there are more women as compared to men in the sector at the same time being in the lowly paid categories in the informal employment. Action Aid (208) further stated that women are somewhat more likely to be in the informal economy and significantly more likely than men to be working as informal workers in the formal sector. Lastly, the ILO (2019) noted the reliance on locally available resources is one of the characteristics of the informal sector. The sector, in this case, exploits more and the detriment is evident in the environment. The locally available resources are mostly easy to access and less controlled by the regulatory authorities though some activities many turn to be illegal.

Different assertions have emerged from literature as to the reasons why people engage in informal activities and for this paper, the views are summarized into three. The first assertion is people engage in informal activities as a last resort. Field (2005) divides the informal sector into two tiers one being the lower tier and the other being the upper tier. The upper tier is made up of people who actively chose to work in the informal sector, while the lower tier will be people who cannot afford to be employed but fail to find a better-paying form of employment in the formal sector resorting to the informal sector.

The second assertion derived from literature is that people engage in the informal sector out of choice aiming to start a new career. With IMF (2019) noting that fewer skills are required for one to be part of the sector, mostly they are less educated and not having the required skills to join the formal sector. It is against this background, according to (ILO, 2019) more women are found in the sector for due to patriarchy, attention, and priority in the access to education and skill development was given to men as compared to women in developing countries.

The last view from literature is that people get into the informal sector as a result of economic forces. According to ZIPARU (2020), the continued decline of the economy in Zimbabwe has led to the decline in formal employment with the greater majority of the working population going into the informal sector as a source of survival. ILO (2019) attributes the same as they noted the growth of the sector to the ineffective and poor implementation of social and macro-economic policies. The effects being massive rural to urban migration were the economically active population migrate into urban areas in search of better opportunities. In addition large corporate downsizing workforce due to operational viability, reduction in production amongst other effects forced excess labour into the informal sector.

Informal Sector and the regulatory framework

Lack of regulation, deregulation and over-regulation are in existence across the different empirical researches reviewed but above all regulation is needed for there to be harmony in the sector. The national and sub-national governments are viewed as an effective tool towards propelling the growth of the economies at those different governmental levels, (European Commission, 2010). IMF (2019) points to the fact that sound legislative and regulatory framework within a country are key towards unlocking lines of credit and financial support from the multi-lateral financial organisation that can be used to boost economic growth. India's informal sectors showed that there were robust reforms made so as to assist the growth of the sector starting from the formulation of various laws that according to ILO (2019) propelled the economic growth during the past two decades of these two countries. In addition, (ILO, 2019) further noted that India undertook a number of initiatives to address informality ranging from targeted schemes for promotion of micro, small and medium enterprises and legislative measures amongst them the Contract Labour (Abolition and Regulation) Act Unorganised Workers Social Security Act meant to protect the labour force in the informal sector.

The role of the informal sector to economic growth and generation of employment in developing countries is widely acknowledged in literature. USAID (2012) notes that in Kenya, a streamlined unified tax for the informal sector, a replacement of a number of taxes amongst them income tax, single business permits, payroll taxes and fuel tax was introduced. The idea of taxation in such a case points out to the recognition of the existence of the sector and its

role it play towards the growth of the economy which in the Zimbabwe context, the local governments needs to tap into.

Informal businesses in Zimbabwe are regulated through the Small to Medium Enterprise Development Corporation formed through an Act of Parliament under the Ministry of Women Affairs, Community, and Small to Medium Enterprises. The existence of the SME Act 24:12 of 1984 is argued to be evidence of the recognition of the existence of the informal sector in the country. The act seeks to promote and develop micro, small and medium enterprises in Zimbabwe, whether operating in the formal or informal sector of the national economy for sustainable development. The act makes provision of the establishment of an advisory body to provide for the formulation, establishment, and implementation of schemes to assist, create a fund to help finance such schemes. However, it should be pointed out the SME Act 24:12 is silent on the role of local authorities which the latter is grappling with to regulate and control the informal sector. The existence of presumptive tax collected from the information can also be noted as a form of recognition of the sector. Utaimire et al (2013) in a study conducted with the informal trader acknowledged the requirement by the tax collector as stipulated in the Act but not low levels of compliance with some not knowing the existence of it.

Challenges and limitations of formalising the informal sector

Administrative Challenges

OECD (2006) cited several administrative challenges faced by the sector in pursuit to formalize their operation among them bureaucratic inefficiencies resulting in delayed decisions and inaccessibility of facilities. The barriers emanate from complicated regulatory frameworks coupled with incapacities, over-centralization of authority, and the unwillingness of those in the sector to be part of a system that is failing to recognise them and improving their working conditions. The process of regularising the activities become longer than expected that is “the ease of doing business” as one needs to go through several offices to get an operating license. According to (ZIPARU, 2012), the state institution lacks sense of urgency and does not have service-oriented culture towards the stakeholders they deal with. The informal sector avoids formalizing because of the bureaucratic inefficiencies. Moyo (2020) noted the need for reforms on the ease of doing businesses in local authorities by the establishment of a one-stop shop can be a solution to the problem

Regulatory framework

The existing regulatory framework isn't inclusive of the informal sector thereby affecting the smooth operation of the sector. The stringent measures brought by both the national and local government stifle the growth and expansion of the sector with some resorting not to formalize their small business. This results in the creation of an underground economy. OECD (2006) noted the burdensome standards that come with the regulations such as tax returns, inspections among other procedures are some of the reasons for the exclusion of the sector. ILO (2019) argues that as the sector expands that is the small businesses, are subject to more stringent requirements of established businesses. Moyo (2020) added that the cost of adjusting to new rules and forms may outweigh the anticipated benefits of formalizing. As a result, the informal sector will not formalize because of the regulatory intensity they are required to go through. Schneider et al (2002) highlighted the number of standards and laws relevant to business and labour regulation such as minimum wages and safety regulation which are typically used to quantify regulatory strength, with the recommendation being the need for legislative reforms that are to encourage the sector to formalize.

High Licensing fees and Financial Constraints

Financial incapacity is also another challenge faced by the informal sector making it difficult to register their operations with the responsible authorities. Moyo (2018) notes that the fees and financial conditions set in the different fragmented pieces of legislation are regressive that disproportionately penalize those in the sector and this is coupled with high tariffs for administration, and complex taxes. OECD (2006) cited the initial business registration and licensing in several countries are too high with the informal sector avoiding entering the tax regimes for several reasons. Moyo (2018) further noted the concern of the sector about tax levels where there is a lack of understanding on compliance with the tax requirements, fear of the actions for not complying, and lack of trust that the system will recognise the sector as one of the key sector to foster development. A review of the literature points out the simplification of the taxation system tends to encourage the informal businesses to formalize, (Schinder and Friedrich, 2002) with a study conducted in South Africa noting 38% of the informal sector cited taxation as the biggest disincentive to formalize. According to (Moyo, 2018), high rentals that are beyond their reach on the formal recognised sites regulated by the local authorities leave the sector with no option but to operate in the CBD and constants up in arms with the local authorities enforcing hawking by-laws. ZIPARU (2014) argued that street vending which

is one of the informal activities within the sector is perceived to be illegal and dubious associated with criminal activities which then discourage the banking sector to avail financial support for its expansion. In addition, neither do they have assets to use collateral for them to access funding.

Corruption

Administration inefficiencies and bureaucratic systems coupled with excessive and discretionary regulations are a source of corruption to the formalization process of the informal sector. ZIMCODD (2012) is of the view that the registration and licensing procedures are fragmented and time-consuming leading to inefficiency. Friedman et al (2000) show with cross country evidence that the informal sector goes underground not to avoid official taxes but to reduce the burden of bureaucracy and corruption. According to the (World Bank, 2010), corruption erodes the confidence of the informal sector in the government leading to the assumption that their long-term prospects in the formal economy will be weak in the event they are formalized.

Unethical and Criminality Activities

Since this is not regulated, some of the activities that take place in the informal sector are illegal. Moyo (2018) notes most of the people in the sector operate illegal business activities such drug dealing and smuggling. It should be noted in a study conducted by (Moyo, 2018) that their unwillingness to formalise is because some of the goods and services offered would have been illegally brought into the country through smuggling, depriving the government the much needed taxes. Therefore formalising will be an act of exposing themselves of the underhand dealings. As a solution to this, concerted measures needs to be made in at national level, to formalise the informal sector so that they can follow the formal legal processes in doing their businesses, indirectly also benefiting the government in terms of revenue.

Opportunities of formalising the informal sector

Several opportunities can be derived from formalizing the informal sector with a review of literature pointing out issues such as profit maximization, more income for both national and sub-national governments. Schneider et al (2003) argued that those in the informal sector are likely to formalize if the expected benefits exceed the costs. Expansion of the business opportunities is evident as a result of the linkages to be established with the formal sector. Moyo (2018) cited that formal registration is considered pre-requisites for the expansion of economic transactions of the informal sector with the public sector, corporates,

international firms, and non-governmental organization as these business transactions requires formal registration and lawfully operating according to the country laws. Arguments in literature, therefore, point formal registration is crucial where unregistered businesses in the informal sector are at risk of governments' detection and their operations being closed. In a review of the informal sector in South Africa, formal registration makes it easy for those in the informal sector to access legal services needed in the establishment and enforcement of business contracts and property rights. Schneider et al (2003) noted that there will be risk reduction on the business being shut down by the responsible authorities that are mainly evident in the manufacturing restaurants and food processing for the face monitoring regarding health and safety concerns. Formalizing in this case as cited by (Schneider et al, 2003) is essential in obtaining business licenses in the various economic sector by then what will be the benefit of local authorities? USAID (2012) add on to suggest formalization of the sector orient it towards upgrading operations and growth of the business realizing the economic growth trapped in the sector for the GDP of a country. LEDRIZ (2013) noted the methods for formalizing the sector take various forms that include registration, taxation, collectivism, legal and political protection, business support, and social protection.

Research Methodology

Triangulation was utilized in this study. The research approach was inductive as the researcher worked for the bottom using participants' views to build broader themes on the potential of harnessing the informal sector by the local authority, thereby promoting local economic development. Data was obtained from primary and secondary sources. The purpose of combining both data collection methods in researching the opportunities and challenges of regularising the informal sector was to have credibility and validity of the finding. The use of both primary and secondary sources of information was key in outdoing the weakness of the other approach. The target population for the study was informal traders and their representative organizations operating in Gweru CBD, the City of Gweru, and the ministry responsible for small to medium enterprises. The sample was composed of 20 informal traders categorized into flea markets operators, furniture manufacturing, agricultural produce traders, food vendors, 2 Gweru City Officials, 1 ministry representative, and a representative from the informal traders' representative organizations. Purposive and convenient sampling techniques were used in identifying respondents. Interviews, and observations were used as the

primary data collection sources with documentary review complimenting in order to create balanced arguments. Data were analysed thematically where themes were established to deduce meaning guided by the research questions. Thematic analysis was highly beneficial as it allowed for the categorisation of large amounts of data making it easier to digest.

Findings

Magnitude of the Informal Sector

The study established that several informal sector traders in Gweru city were in the food and fresh produce industry (50%), followed by clothing and textile (30%), electrical and hardware (15%), and metal fabrication and furniture (5%). The higher % of those in the food and fresh produce industry is attributed to its easy entrance with less capital requirement. As for the clothing and textile, it is rife at the sector resort to selling second-hand clothing that from the findings, the profit margin is bigger and also not affected by the time one has to be holding on to the stock as compared to perishable fresh produce. The low numbers in fabrication and furniture from the findings are attributed to more capital and machinery requirements. Mitullah (2003), argues that the informal sector attracts those who have limited opportunities, it is increasingly becoming an option for many citizens and it is no longer limited to the lower social groups as several entrepreneurs have entered the trade as an option. This supports the view that the sector is easy to enter with less capital required.

Causes of the growth of the informal sector in Gweru

Lack of employment opportunities- 80% of the respondent noted that lack of employment opportunities was the reason why they joined the informal sector. Zimbabwe in recent years has been experiencing economic challenges resulting in the closure of the once vibrant companies and decline in formal employment, forcing the unemployed labour to get into the informal sector for survival. As discussed earlier, according to the Confederation of Zimbabwe Industries Report (2014) the informal sector employs around 85% of the workforce across the country. One of the respondent noted that he was employed by ZimAlloys at their smelting plant here in Gweru and retrenched with the company citing viability coupled with the decline in the chrome prices. With the retrenchment packages, the respondents opted to venture into carpentry and has been operating in Mtapu for 14 years now. Though several economic revival policies have been formulated, there is evidence that they have failed to revive the ailing economy by re-opening and capacitating the local industries.

Lack of financial resources – this has become a stumbling block for those in the informal sector to register their businesses with responsible authorities. 90% of the respondents cited the bureaucratic and cumbersome process as frustrating with the licensing fees beyond their reach. One of the respondents noted that because of the bureaucratic nature and complexity, corruption along the process is rife making the process more expensive, leaving them to do cat and mouse with the municipality police. OECD (2006) argued that the unwillingness of the informal sector to formalize is the high tax systems and licensing fees.

Cumbersome and Bureaucratic Registration Process – from the research findings, this is another factor that has led to the growth of the informal sector. 70% of the respondents cited this as a reason for them to continue being in the informal sector and not want to regularise. Administrative barriers such as excessive work paperwork are attributed by the (USAID, 2005) as an impediment that dissuades informal traders from wanting to interact and establishing formal relations with the authorities. This also concurs with the legalist view. De-Sonto (1989) argues that the informal sector and micro-entrepreneurs choose to operate illegally to avoid costs and formal registration procedures. It is from this point of view that local authorities need to come up with supportive policies that will create an enabling environment for the smooth operation of the sector. Easy of doing business mantra needs to be embraced and incorporate the sector for the benefit of both parties.

Lack of knowledge – from the findings, 50% of the respondents cited there were not aware of the need to register their operations as stipulated in the Gweru City Council By-laws. The researcher establishes high levels of ignorance and illiteracy with (Siegel, 2012) citing this as one of the causes of the growth of the informal sector. Evidence from the local authority pointed to ignorance on the importance of integrating the sector in the wake of the declining of formal business. The local authority as portrayed in this paper if the sector is harnessed can be of benefit to the ranging from increased revenue inflow to cleanliness and order within the city.

Opportunities of regularising the informal sector

Better working conditions and safety – there was overall consensus on this as a benefit of regularising the informal sector. From the observations made, informal sector working conditions were unsafe and deplorable with one of the areas in Mtapu having no functional ablution facility on site pointed out to the fact that because of lack of recognition, those in the informal sector suffer from extreme

decent job shortages, rendering their working conditions insecure, unsafe and unstable. According to Roever, (2016) the informal sector activities have been seen to be in contravention of both the Public Health Act and Environmental Management Act due to negative effects caused such as congestion and littering of the CBDs. From the interactions with GCC, there are plans of formalising the informal sector with suitable areas having being identified and some works having already started to formalise the informal sector. Observations made point out to the fact that the available space is inadequate to accommodate all the vendors, evidenced by the invasion of the pavements by the vendors in search of space to operate from.

Revenue source for the local authority- the formalization of the informal sector according to the GCC was going to be another stream of revenue for the local authority, as noted by (Moyo, 2018). Formalization would entail the informal sector contributing through taxes remittances and licenses to the responsible authorities for them to operate, in a way, adhering to the set standards and regulations specific to their line of business. According to the Moyo (2018), with the dwindling of the traditional sources of revenue at GCC, the council's focus needed to shift to other sources of revenue. One of the sources being the informal sector that has become one of the largest employing sectors (ZimStat, 2018). This, therefore, depicts that formalization increase revenue inflows with OECD (2006) also agreeing that formalization broadens the tax base of nations.

Equal Opportunities – the formalisation of the sector can be an opportunity to promote equal opportunities between men, women and the youth cited one of the respondents. In support of this view (LIDREZ, 2013) highlighted that mainstreaming these groups must be a priority in the process of formalising the sector for they are the vulnerable group that needs to be empowered within the City of Gweru. One of the respondents with the GCC noted that there is need for the prioritisation of the disabled in the allocation of vending sites in the CBD, as a way to empower them for they are also finding it difficult to get formal employment. In addition, through formalisation, the sector will also be able to access and compete on the market with other companies. However, what will be key according to one of the respondent will be the goods and service being able to meet the set standards by regulators.

Creation of employment – through formalizing the sector, (LIDREZ, 2013) noted that there will be promotion and development of cooperatives and SMEs. Such will create self-employment programs with the researcher establishing the most of the people in the informal sector are self-employed. One of the

respondents noted that the formalization can assist them in boosting their business activities through linkages for they will be able to supply their goods and services to other bigger well-established companies and organizations, with the result being growth and expansion, more employment being created. One of the respondents in steel fabrication even noted that if formalized, they will have even capacity to assist college students with work-related learning, thereby contributing to skills development.

Collectivism and social dialogue – one of the characteristics of the informal sector is being unorganized with poor representation on social dialogue mechanisms. The researcher established that through formalisation, the sector will have a voice and will be able to air their views and be included in decision making both at the local authority level and national level. As of now the informal sector are only the recipient of policies that they have participated and as a result, some of the policies and plans have failed to benefit them for there is no inclusion at the inception of the policies. According to LIDREZ (2013), social dialogue must underpin policymaking on the informal economy. Both the local authority and the central government are supposed to create an enabling framework for dialogue at different levels with the sector to come up with tailor-made solutions to the sector, with the result being the growth of the largest employing sector in the country.

Challenges associated with the formalisation and regularisation of the informal sector

Economic decline – as the country continues to experience economic problems, the number of people getting into the informal sector continues to increase posing a challenge to the formalisation of the sector. The sector continues to increase in size as more people are being retrenched resorting to the informal sector for survival, and the local authorities cannot cope. The formal sector continues to experience viability challenges resulting from inconsistent national economic policies, investments withdrawal, rampant power shortages and recently the Covid-19 pandemic, among other challenges, thereby some resorting to retrenching and some companies closing. This is supported by the Research and Advocate Unit (2015), which mentions how the economy has declined at greater pace since 2013 where the informal sector has become a major source of livelihood for arguably the vast number of Zimbabwean citizens. One of the respondents from GCC cited that though they have created space for the sector to operate from, more space is required to cater for the increasing number, which can be attributed to economic decline.

Archaic and Stringent Legislation – the researcher established that there are stringent by-laws and other national legislations that stifle the growth and expansion of the sector thereby the informal sector resorting not to formalise their operations. According to one of the respondents in the informal sector, this results in the creation of an underground economy. OECD (2006) noted the burdensome standards that come with the regulations such as tax returns, and inspections among other procedures are some of the reasons for the exclusion of the sector. ILO (2019) argues that as the sector expands that is the small businesses, are subject to more stringent requirements than established businesses. The respondent further added that the cost of adjusting to new rules and forms may outweigh the anticipated benefits of formalising. As a result, the informal sector will not formalize because of the regulatory intensity they are required to go through. Schnider et al (2002) highlighted the number of standards and laws relevant to business and labour regulation such as minimum wages and safety regulation which are typically used to quantify regulatory strength, with the recommendation being the need for legislative reforms that are to encourage the informal sector to regularise.

Politics – local authorities have a political imperative to be seen to deliver infrastructure to disadvantaged areas. In the process issues like those in the informal sector sometimes fall to the wayside. According to Moyo (2018), politics have caused division as those in the informal sector are taken for a ride by politicians who cause divisions amongst them. The researcher found out that the sector is sometimes tasked to be political activists and mobilise others to support a certain party for them to continue trading. Mutami and Gambe (2011), also express how street vending in Zimbabwe is hinged upon strong political backing as the prevailing political dynamics favour rampant street vending as an acceptable ill in cities and towns. This has left the informal sector divided along the political line which has affected negatively collectivism and social dialogue as evidenced by the different voices from the sector with regard either to formalise or not.

Conclusion

Of late the informal sector has been expanding at a faster rate, with most local authorities mostly urban failing to cope with the numbers. Its expansion according to the literature reviewed, points to continued decline of the economy resulting in massive retrenchment, decline in Foreign Direct Investment, unstable political environment leading to unfriendly investment environment among

others. The current state of affairs indicates the informal sector growth has become a problem for most local authorities. Such challenges include pollution, congestion and competition with the formal business. The study establish that at the local authority level, the existing regulatory framework, administrative inefficiencies, high licensing fees are among the reasons why those in the informal sector don't want to formalise their activities. However, it was the purpose of this research to establish possible way that the local authorities can harness the sector as a way of promoting Local Economic Development. The paper establishes that local authorities cap tap into the sector and indirectly addressing the problems brought by the sector. Local Authorities should take a pro-active stance in carrying out their rightful duty to plan, legislate and regulate the use of land to accommodate the informal sector and their activities in an orderly manner that will culminate into employment creation, social dialogue and collectivism, and more revenue for the local authorities.

Recommendations

- Local authorities should also facilitate the easy regularisation of the informal sector activities through amending the regulatory framework which does not take cognisance of the sector. The stringent measures brought by both the national and local government stifle the growth and expansion of the sector with some resorting not to formalize their small business. Hence there is need to enact appropriate laws that legitimise the informal sector in urban development plans by aligning all the laws affecting the sector.
- The local authority should effectively enforce its by-laws to regulate the activities of the informal sector and ensure that the by-laws are complied with. This would address the chaos, dirt, and human and vehicular traffic congestion because a smart city attracts investment
- With the formal small to medium enterprises contributing up to 40% of national income (GDP) in emerging economies according to World Bank, there is need to remove cumbersome and bureaucratic registration process that the sector encounter in formalising their business. Creating a legislative conducive environment is key towards harnessing the informal for Local Economic Development.
- The sector in Zimbabwe requires financial support and skills development for capacity building. Access to finance is a key constraint to the informal sector, it is the second most cited obstacle facing the sector to grow their businesses in emerging markets and developing countries. As a result,

the sector opt to remain an underground thereby not benefiting the local authority and the city at large.

- Provision of adequate infrastructure both on-site and offsite and services is also another recommendation to the local authority. Such service includes refuse collection and waste disposal, public toilets and sanitation and storage facilities. For this purpose, fees can be levied on the sector for the use of infrastructure and services. Provision of these services not only those in the informal sector but also creation of better working and safer environment.
- Public Private Partnership could be forged to provide management functions and financial assistance. The City of Gweru should seek development partners so as to develop and capacitate the informal sector to contribute towards Local Economic Development.

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