

**Employment, unemployment and
informality in Zimbabwe:
Concepts and data for coherent policy-making**

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Abstract: Despite a sharp fall in formal sector employment since the late 1990s, Zimbabwe's unemployment rate has remained below 10 per cent. While this figure has been met with disbelief in Zimbabwe, the present paper finds that it is based on a consistent application of the international definition of unemployment. However, the unemployment rate alone is only of limited utility to assess a country's labour market situation since it does not reflect the quality of employment. This paper therefore argues that it is necessary to go beyond the employment / unemployment dichotomy and to analyze the quality of employment. It does this on the basis of the 2004 Labour Force Survey by applying two complementary concepts of informality: (i) the enterprise-based concept of informality and (ii) the jobs-based concept of informality. The findings indicate that informal employment, in particular, made a substantial contribution to overall employment and accounted for just over 80 per cent of all jobs in 2004. However, cash incomes of informal workers were generally extremely low and their working conditions poor. The paper closes by extracting the main findings to inform debate among the ILO's constituents and points out directions for future policy formulation.

JEL classification: E26, J21, J81.

Résumé: Malgré une baisse importante du nombre d'emplois dans le secteur formel depuis la fin des années des 1990, le taux de chômage au Zimbabwe s'est maintenu en dessous de 10%. Bien qu'un tel chiffre ait été accueilli avec incrédulité au Zimbabwe, le présent document montre que cette valeur s'appuie sur une application fidèle de la définition internationale du chômage. Cependant, le seul taux de chômage est d'une utilité limitée lorsqu'il s'agit d'évaluer la situation du marché du travail d'un pays car il ne reflète pas la qualité des emplois. Pour cette raison, ce document affirme la nécessité d'aller au-delà de la dichotomie emploi-chômage et d'analyser la qualité des emplois. Il s'appuie sur l'Enquête sur la population active de 2004 en appliquant deux concepts complémentaires d'informalité : le concept d'informalité fondé sur l'entreprise d'une part, et le concept d'informalité fondé sur les emplois d'autre part. Les résultats indiquent que les emplois du secteur informel, en particulier, contribuaient de manière importante à l'emploi en général et représentaient un peu plus de 80% du total des emplois en 2004. Cependant, les travailleurs du secteur informel avaient généralement des revenus très bas et des conditions de travail médiocres. Le document se termine par une exposition des principaux résultats dans le but d'alimenter le débat parmi les mandants de l'OIT et indique des directions pour la formulation des futures politiques.

Classification JEL: E26, J21, J81.

Resumen: A pesar del fuerte descenso registrado en el empleo del sector formal desde fines del decenio de 1990, la tasa de desempleo de Zimbabwe se ha mantenido por debajo del 10%. Si bien este porcentaje suscita cierta incredulidad en Zimbabwe, en el presente documento se destaca que está basado en una aplicación coherente de la definición internacional de desempleo. Sin embargo, únicamente la tasa de desempleo no tiene más que una utilidad limitada para evaluar la situación del mercado laboral del país, puesto que no refleja la calidad del empleo. En este documento, se arguye, pues, que es necesario trascender de la dicotomía empleo/desempleo y entrar a analizar la calidad del empleo. Para ello se basa en la encuesta sobre mano de obra de 2004, aplicando dos conceptos complementarios de informalidad: (i) el concepto de informalidad basado en la empresa y (ii) el concepto de informalidad basado en los empleos. Según las conclusiones, el empleo informal, en particular, hizo una contribución sustancial al empleo general y representaba más del 80% de todos los empleos en 2004. Sin embargo, los ingresos en efectivo de los trabajadores informales eran, por lo general, sumamente bajos y sus condiciones laborales deficientes. Por último, el documento presenta las principales conclusiones a fin de ilustrar el debate entre los mandantes de la OIT y destacar las orientaciones para formular la política futura.

Clasificación JEL: E26, J21, J81.

The Policy Integration and Statistics Department

The Policy Integration and Statistics Department pursues the ILO's decent work and fair globalization agenda from an integrated perspective. It consists of the Bureau of Statistics and the Policy Coherence Group.

The central objective of the latter is to further greater policy coherence and the integration of social and economic policies at the international and national level. To this end, it works closely with other multilateral agencies and national actors such as Governments, trade unions, employers' federations, NGO's and universities. Through its policy-oriented research agenda, it explores complementarities and interdependencies between employment, working conditions, social protection, social dialogue and labour standards. Current work is organized around four thematic areas that call for greater policy coherence: Fair globalization, the global poor and informality, macro-economic policies for decent work, and emerging issues.

Labour statistics play an essential role in the efforts of member States to achieve decent work for all and for the ILO's support of these efforts. These statistics are needed for the development and evaluation of policies towards this goal, for assessing progress towards decent work, and for information and analysis of relevant labour issues. The ILO Bureau of Statistics works with integrity, independence and high professional standards to provide users within and outside the ILO with relevant, timely and reliable labour statistics, to develop international standards for better measurement of labour issues and enhanced international comparability, and to help member States develop and improve their labour statistics. It maintains strong professional relationship with national statistical systems and with statistics offices of other international agencies.

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This paper is part of the Policy Integration and Statistics Department's ongoing work on the measurement of informal employment and decent work, and aims to aid the ILO's constituents (workers, employers and government) in their efforts to formulate coherent policies towards realizing decent work in the informal economy.

Preface

Like in most developing countries, informal employment is an important source of livelihoods for many people in Zimbabwe. Faced with a lack of employment opportunities in the formal sector, Zimbabweans have displayed great ingenuity to create jobs for themselves as carpenters, street-vendors, cross-border traders, sculptors or brick-moulders. These jobs have kept many people in employment, and thus have helped to avoid high open unemployment despite adverse economic conditions. However, most informal workers find themselves on the fringes of the law – they often lack the required license, or violate zoning by-laws that ban commercial activity from residential areas. Many of these by-laws and regulations originally date back to the colonial period. Back then, they were introduced by the settler government and in a deliberate attempt to suppress independent African economic empowerment and to protect white-owned businesses.

The ILO has recognized the potential of the informal sector early, and was in fact instrumental in shaping its understanding. An influential ILO publication, dating back to 1972, studied the informal sector of Kenya in great detail and was among the first to challenge the conventional portrayal of the informal sector as backward and inefficient. Instead, it emphasized the scale of economic production in the informal sector and the dynamism of its indigenous entrepreneurs. Today, the ILO focuses on promoting decent work for the informal economy. For us, informal workers are – above all – human beings who deserve the same respect and enjoy the same rights as workers in the formal sector. Based on the ILO's Decent Work Agenda, we thus work with our constituents (Governments, workers and employers) to create productive employment opportunities, to enhance rights, improve social protection and to strengthen representation and voice in the informal economy.

This current paper presents a comprehensive overview on *Employment, Unemployment and Informality in Zimbabwe*. It begins by discussing how the colonial legacy still shapes the way informality is viewed, and then introduces some statistical concepts that are useful to analyze the informal economy. This is followed by an empirical part that is based on the 2004 Labour Force Survey. It presents data on employment, unemployment and the extent of informality, and then goes into different dimensions of decent work and job quality – such as working hours, incomes and occupational health and safety risks. The paper concludes by extracting the main findings and discussing their implications for coherent policy-making. Our sincere hope is that this will inform social dialogue between Government, workers and employers, and help them in their efforts to promote decent work for Zimbabwe's informal economy.

Research for this paper was carried out in collaboration with Zimbabwe's Central Statistical Office (CSO) as part of the on-going technical cooperation on labour statistics between the ILO and the CSO. The CSO provided the author with full access to the 2004 Labour Force Survey on their premises in Harare, but at no stage sought to influence the paper's findings. The ILO appreciates this collaboration.

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Employment, unemployment and informality in Zimbabwe: Concepts and data for coherent policy-making

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Acronyms and abbreviations

CPI	Consumer Price Index
CSO	Central Statistical Office [of Zimbabwe]
EMCOZ	Employers' Confederation of Zimbabwe
GDP	Gross Domestic Product
ICFTU	International Confederation of Free Trade Unions
ICLS	International Conference of Labour Statisticians
ICSE	International Classification by Status in Employment
ILC	International Labour Conference
ILO	International Labour Office / International Labour Organization
IMF	International Monetary Fund
ISIC	International Standard Industrial Classification of All Economic Activities
LFS	Labour Force Survey
MSEs	Micro and small enterprises
NGO	Non-governmental organization
NSSA	National Social Security Authority
OG/HK	Operation Garikai / Hlalani Kuhle
OM	Operation Murambatsvina
PDL	Poverty Datum Line
POSA	Public Order and Security Act
RBZ	Reserve Bank of Zimbabwe
SADC	Southern African Development Community
SEDCO	Small Enterprise Development Corporation
SNA	System of National Accounts
UN	United Nations
UNICEF	United Nations Children's Fund
ZANU-PF	Zimbabwe African National Union – Patriotic Front
ZCIEA	Zimbabwe Chamber of Informal Economy Associations
ZCTU	Zimbabwe Congress of Trade Unions
ZFU	Zimbabwe Farmers Union

Employment, unemployment and informality in Zimbabwe: Concepts and data for coherent policy-making

I. Introduction: Outline of research objectives and empirical strategy

Employment statistics are a contentious topic in Zimbabwe. Newspaper reports – both in local and international publications – routinely claim that unemployment stands at 80 per cent and is accompanied by “rampant informality”.¹ By contrast, Zimbabwe’s Central Statistical Office (CSO) publishes an unemployment figure of 9.3 per cent for the year 2004 and reports that less than 14 per cent of the employed population work in the informal sector (CSO, 2005a: p. 28, p. 82). By this account, the informal sector actually employs – contrary to public perception – fewer workers than the formal sector and unemployment is no higher in Zimbabwe than in some industrialized countries (ibid.). The CSO’s figures were met with disbelief by the general public and with scepticism by the media.² As an online paper wrote, ordinary Zimbabweans and economic experts alike will “find the CSO’s unemployment figures hard to buy” (Zimbabwe Online, 9 May 2006). Another newspaper suggested that Zimbabwe deserved “a place among economically successful First World countries, if unemployment figures released by the Central Statistical Office (CSO) [...] are anything to go by” (Zimbabwe Standard, 14 May 2006).

As will become clear during the discussion, the internationally accepted statistical definition of “unemployment” gives the term a very precise and clear meaning. However, the popular concept of unemployment is often at variance with this. When a labour statistician talks about unemployment, she will thus most likely have a different understanding in mind than an ordinary Zimbabwean, who, despite performing work of some kind, considers himself unemployed because he lacks what he would regard a “proper job”. However, the statistical definition of employment does not, and is not meant to, distinguish between “good” and “bad” jobs, and treats all those who work as employed. Since they do not capture the quality of employment, unemployment statistics on their own are not a comprehensive indicator of the labour market situation. This is why it is useful to analyze the characteristics of employment and its quality in more depth – rather than just distinguishing between two broad groups, the employed and the unemployed.

One way to characterize employment is in terms of formality and informality. Informality can be captured with two different, but related concepts: the first approach is to look at the production unit (or enterprise) in which a person works. This perspective goes back to the early 1970s when researchers started to speak about employment in the “informal sector”. A more recent extension is to look at the characteristics of a person’s job, rather than the enterprise that employs her or him. This job-based approach allows grouping together those who are not in a formal employment relationship and generally suffer from inade-

¹ Recent news reports citing unemployment rates of around 80 per cent include: The Herald, ‘Zim income disparities shocking’ (June 11, 2007; Business section); Newsweek, ‘Digging a Grave for Zimbabwe’ (June 18, 2007); The Financial Gazette, ‘Inflation surges to 4 530 per cent’ (June 13, 2007). An unemployment estimate of 80 per cent is also published on the CIA’s World Factbook that serves as an information source for many journalists; see <https://www.cia.gov/library/publications/the-world-factbook/>, accessed on 16 May 2008).

² Zimbabwe Daily Mirror, ‘Unemployment rate at 9 per cent?’ (17 December 2004); Zimbabwe Standard, ‘Damn statistics!’ (14 May 2006); Zimbabwe Online, ‘Zimbabwe says only nine per cent of population is unemployed’ (9 May 2006); Zimbabwe Independent, ‘Mangwana’s circus’ (17 December 2004).

quate social protection, a lack of rights at work, poor working conditions and insufficient incomes – regardless of whether they are employed by a formal enterprise, in the informal sector or in production for own consumption (including communal agriculture).

While there is no single indicator to measure job quality, a number of additional statistics give an indication in how far work is decent. For the ILO, decent work is a multidimensional concept that refers to the “opportunities for men and women to obtain decent and productive work in conditions of freedom, equity, security and human dignity” (ILO, 1999 and 2001). Access to employment opportunities is thus only one aspect of decent work, albeit a central one since without work, there can be no decent work. It is the dimension of decent work that is most readily measured through standard indicators on labour force participation, the employment to population ratio and the unemployment rate (Section II.b.). Aspects such as income or occupational health and safety are also already commonly measured in labour force surveys, while information on social security coverage or social dialogue and freedom of association is generally more difficult to obtain (Anker et al., 2003). However, efforts are under way to measure decent work more comprehensively and to develop questionnaire modules for the missing elements (see Anker et al., 2003; Ritter, 2005; Peek and Dewan, 2007).

The present research report draws on the 2004 Zimbabwe Labour Force Survey (LFS) as its main data source. With a nationally representative sample of 37 500 respondents from across Zimbabwe, the LFS allows to draw a comprehensive picture of the employment situation in Zimbabwe at the time of the fieldwork, carried out in June 2004. The results from this survey have been published by the Central Statistical Office (CSO) and include, among other aspects, data on unemployment, underemployment, work-related safety, retrenchments and employment in the informal sector (CSO, 2005a). The CSO invited the ILO to undertake an independent re-analysis of the LFS and provided access to the primary dataset, the original questionnaires and related survey material. This made it possible to apply the job-based concept of informality to the dataset, and thus to complement the previous analysis with another perspective on informality, as well as to scrutinize the previously published data on unemployment and employment in the informal sector.

Many of the issues discussed in the present paper are also taken up in a companion paper that presents the results from a Survey on Informal Employment. It was carried out in Glen View (Harare) in November 2006 in collaboration with the Department of Geography and Environmental Science at the University of Zimbabwe (Luebker, 2008). The survey served four main purposes: (i) To collect more detailed information that is specific to informal workers and on dimensions of decent work that were not covered by the LFS, such as social security and collective representation and voice; (ii) To help understand the gap between the popular perception of high unemployment and the low unemployment rates measured by the 2004 LFS; (iii) To assess how similar the estimates for informal employment are, depending on the instrument used, and to test the applicability of full operationalization in the Zimbabwean context; (iv) Finally, the survey aims to assess how respondents’ situation has changed since June 2004 and to assess the impact of Operation Murambatsvina and the subsequent recovery operation (Operation Garikai) on their work.

The analysis of Zimbabwe is part of ongoing research on informality and decent work that covers other African countries as well as countries in Asia, Europe, Latin America and the Caribbean (see Heintz, forthcoming). The purpose of the present research report is twofold:

- First, to clarify the statistical notion of unemployment, and to point out that it is not meant as a summary indicator for the labour market situation. Since the employment/unemployment dichotomy does not capture job quality, other concepts – such as informality – are needed to assess to adequacy of employment opportunities.

-
- Second, the research report wants to provide some reliable and independently vetted statistics on the current labour market situation in Zimbabwe. In addition to the statistics on employment and unemployment, it applies two concepts of informality and provides some indicators of job quality. The hope is that this will inform the political debate and to aid the constituents of the International Labour Organization (ILO) in their quest for adequate policy responses.

While it is not the ILO's role to formulate domestic policies, it provides its constituents – Government, workers' and employers' organizations – with policy advice that can feed into broad-based social dialogue between Government and the social partners. Therefore, the last chapter of this report will synthesize the main policy-relevant outcomes from the empirical part of the report. It will link them to policy options that can be used to address the challenges faced by informal workers by drawing on international experience. One source for this is the debate on *Decent Work in the informal economy* held during the 90th International Labour Conference in 2002, and the resolution that was subsequently adopted by Governments, workers and employers (including those from Zimbabwe). These are anchored in the Declaration of Philadelphia's affirmation of the right of everyone to "conditions of freedom and dignity, of economic security and equal opportunity". They call for an integrated strategy to promote decent work for all workers, women and men, irrespective of where they work. Based on the ILO's Decent Work Agenda, this includes realizing fundamental principles and rights at work; creating greater and better employment and income opportunities; extending social protection; and promoting social dialogue³.

However, it is important to point out the limited scope of the present research report: it is meant to facilitate debate – not to replace it – and thus does not provide any blueprint for policy. It also needs to be made clear at the onset that, while the Central Statistical Office provided invaluable support to this study, it is not responsible for findings and views expressed in this paper.

The remainder of this research report is organized as follows: Chapter II provides a general overview on how thinking on employment in informal activities has evolved, introduces the statistical concepts, and provides some background on the Zimbabwean context. Chapter III then applies enterprise-based and the job-based concepts on informality to the 2004 Labour Force Survey and presents the main findings on employment, informality and unemployment. This section thus covers access to employment, one dimension of the decent work concept. Chapter IV analyzes characteristics of formal and informal workers with a focus on decent work and job quality. In turn, it addresses aspects such as establishment characteristics, education and skills, working hours, income, and occupational health and safety. Chapter V summarizes the main findings and draws some conclusions for coherent policy making towards decent work for the informal economy.

³ *Resolution concerning decent work and the informal economy*, adopted by the ILC at its 90th Session on 19 April 2002.

II. Informality and employment: Concepts, statistical definitions, and the Zimbabwean context

a. The colonial legacy and informality

Most classical models of economic development have drawn a dichotomy between the traditional, largely rural and agricultural sector and the modern sector, comprising often foreign-owned, large industrial enterprises. The process of economic development was in essence seen as an expansion of the highly productive modern sector that would absorb surplus labour from the less productive traditional sector, which in turn would slowly wither away (Lewis, 1954; Kuznets, 1955). However, in reality, this labour transfer did not happen as smoothly as foreseen by theory. When a team led by the ILO undertook an in-depth assessment of economic development and employment in Kenya in the early 1970s, it drew attention to the “[t]ens of thousands of Kenyan men and women [who] earn their livelihood working in small-scale non-farming activities” as tailors, carpenters, traders, cooks, taxi-drivers and so forth (ILO, 1972: 223). These workers neither belonged to the traditional nor the modern sector as conceptualized by the then dominant development theory, and the authors thus rejected the traditional-modern division, criticizing that it “ignores the dynamism and the progressive elements indigenous to the Kenyan economy” (ibid.: 503). Instead, the study popularized the term “informal sector” that comprises these activities:

“Enterprises and individuals within it operate largely outside the system of government benefits and regulation, and thus have no access to the formal credit institutions and the main sources of transfer of foreign technology. Many of the economic agents in this sector operate illegally, though often pursuing similar economic activities to those in the formal sector – marketing foodstuffs and other consumer goods, carrying out the repair and maintenance of machinery and consumer durables and running transport, for example. Illegality here is generally due not to the nature of the economic activity but to an official limitation of access to legitimate activity. Sometimes the limitations are flouted with virtual abandon, as in the case of unlicensed *matatu* taxis; sometimes the regulations are quite effective. The consequence is always twofold: the risk and uncertainty of earning a livelihood in this low-income sector are magnified, and the regulations ensure a high quality of services and commodities for the wealthy few at the expense of the impoverished many.” (Ibid.: 504).

One defining characteristic of the informal sector is thus that it is not recognized by the law, and that those who operate within it suffer from a range of disadvantages that come with this lack of legal recognition. The law often erects a range of barriers to those who lack the skills, the capital or the personal connections to overcome them and to incorporate their activities in the formal sector. As Mhone (1996) points out, these regulations often reflect a colonial legacy – especially in former settler colonies, where the law was systematically used to benefit settlers’ interests at the expense of the African majority. Here, law served as an instrument to undermine autonomous African market-oriented activities, while promoting the settler-dominated formal sector. Thus, according to Mhone, in countries such as Namibia or Zimbabwe, a “barrage of laws or regulations controlling labour flows and African urban settlement was instituted to ensure that African labour was dependent on formal sector employment” (ibid.: 11f.). Mhone argues that “the development of the informal sector was outrightly suppressed by ensuring that Africans lived in a controlled environment of subjugation and domination” (ibid.: 12).

This line of argument offers an important insight: although informal workers often operate outside the law, this is not because they chose to engage in illicit activities, but due to the law itself that does not recognize legitimate activities – some of which have been performed for centuries. Using the example of Zimbabwe, Herbert Ndoro (1996) points out

that gold and copper mining or iron-working and beer-brewing were established as legitimate, technologically advanced activities long before colonialization began in 1890. However, these were then denigrated as “inadequate”, “backwards” and “inefficient” by the settlers and once colonial capital established itself in these areas, the corresponding indigenous sub-sector “was first made illegal (read: informal) then progressively suppressed, and finally displaced” (ibid.: p. 23).⁴ As Mkandawire writes, all economic activities outside the ‘white economy’ were discouraged or prohibited to force the African population into wage employment in the mines and settler farms (Mkandawire, 1985: 16). He contrasts this with West Africa where colonial rule was primarily directed towards the extraction of cash crops and not in need of direct employment of labour. Consequently, few restrictions were placed on the development of indigenous activities and Africans successfully engaged in small businesses such as repair workshops, retail outlets and transport companies – giving rise to a far larger informal sector, even under colonial rule.

By contrast, in Zimbabwe the informal sector only became a significant and visible factor after independence when many regulations and by-laws stemming from the colonial era – especially those that restricted the freedom of movement – were repealed and others no longer enforced (Ndoro, 1996; Mhone, 1996; see also Peters-Berries, 1993; Shinder, 1997; Dhembha, 1999; Daniels, 2003). However, this did not amount to a full reversal of the bias against activities that had been made “informal” under the colonial government.⁵ In the early 1990s, an inter-ministerial Deregulation Committee identified no fewer than 28 Acts that hindered small and micro enterprises from the informal sector, such as restrictions on hawking and street vending. The Committee criticized the wide discretionary powers of city councils in issuing and renewing trade licences and recommended that city councils “should register rather than license informal traders, thus rendering informal trading a right rather than a privilege” (Kanyenze, 2004: p. 21). Other obstacles to the development of informal sector activities included the prohibition of retail activities on residential properties; legislative prohibitions on home-based industries; and the complexity of regulations such as the Company Act and the Private Business Corporation Act (Kapoor et al., 1997). Some of these impediments were subsequently removed, the most visible effect of which was the establishment of “people’s markets” (or “flea markets”) in central urban areas in the mid 1990s (ibid.).

While the informal sector exists in many countries outside or on the fringes of the law, there is now an international consensus that the lack of legal recognition should not be used as a pretext to criminalize the informal sector. As argued in the report on *Decent Work and the informal economy* submitted to the International Labour Conference in 2002, the majority of workers produce goods and services that are legal, although they are not registered or regulated (ILO, 2002a: 3). In fact, some operators have the required permits and licences, while others engaging in the same activities do not. This, and the often arbitrary boundaries drawn by the law, makes the criterion of legality unsuitable to define

⁴ According to Ndoro, a typical example is traditional beer brewing that went “from being a formal activity of the indigenous Africans, to an activity accepted in the early urban settlement due to the lack of a ‘modern’ alternative, to a proscribed, highly illegal activity when the modern breweries and beer-halls were set up, surviving as a bootleg activity under the hardest of conditions in the urban areas even up to today” (Ndoro, 1996: 23).

⁵ See the example of traditional beer brewing in the footnote above. The continued ban on crop cultivation within the urban perimeter or restrictions on street-side vending would be other examples: they historically targeted black Africans only, since few white settlers would have desired to grow maize on small plots carved out of unutilized urban land, or to sell vegetables on the streets. However, by depriving the African population of possible sources of livelihood, these regulations made them dependent on wage employment (and maize grown on commercial farms and sold in white-owned shops), hence benefiting the settlers indirectly.

the range of so-called informal activities which are neither part of communal agriculture nor part of the large-scale modern sector. Instead of using legality/illegality, the main defining criterion is that informal sector enterprises are not incorporated, and thus do not form a legal entity that can be separated from their owners. By comparison, formal sector enterprises are incorporated and thus have the character of a legal entity (see Section II.b. for statistical definitions and measurement concepts).

While the statistical definition of the informal sector relies on the characteristics of the production unit (enterprise-based concept of informality), another way to capture informality, as will be detailed below, is to look at job attributes. The job-based concept of informality distinguishes between formal and informal employment and has more recent origin (see Hussmanns, 2004). Both definitions of informality fall under the wider term “informal economy”. The term refers to “all economic activities that are – in law or in practice – not covered or insufficiently covered by formal arrangements” (ILC, 2002: para. 3). The new term stresses that informality can be found across the entire economy and that informal activities cannot be discussed in isolation from the overall economy. This had already been stressed in the 1970s (ILO, 1972: 606ff.; Tokman, 1978), and recent research has again highlighted the many linkages between informal and formal economic activity (see e.g. Chen, 2007).

In particular, the performance of the formal sector and its ability to create sufficient formal employment opportunities is a crucial determinant for the size of the informal economy. As the delegations of the 90th International Labour Conference (ILC) concluded in 2002:

“The informal economy absorbs workers who would otherwise be without work or income, especially in developing countries that have a large and rapidly growing labour force, for example in countries where workers are made redundant following structural adjustment programmes.” (ILC, 2002: para. 6).

It is thus often a lack of alternatives that forces people to take up employment in the informal economy, and many of its activities are survivalist in nature – i.e. generating income that are barely sufficient to meet even the most basic everyday needs. While poverty is thus a widespread phenomenon among informal workers, others have managed to set up viable micro businesses (see also Mhone, 1996). This heterogeneity of the informal economy was acknowledged by the ILC that also stressed the large entrepreneurial potential and the reservoir of skills inherent in the informal economy (ILC, 2002).

A recent policy debate has in fact questioned the conventional view of the informal sector as a residual sector and argued that some workers enter it voluntarily. In support of this view, Maloney (2004) cites survey data from Latin America to show that, given the choice, most self-employed workers in the informal sector prefer their current status to wage employment in the formal sector. Although he acknowledges that poverty is widespread among informal sector workers, Mahoney attributes this primarily to their low human capital endowment and lack of formal education. By his reasoning self-employed informal sector workers would not gain from accepting a low-skilled job in the formal sector and thus opt to remain informal. Fields (1990) had earlier observed that two distinct form of employment exist alongside each other in the informal sector: employment that is “entry-free, low-wage, and undesirable relative to formal sector employment” and employment that is “limited-entry, high wage, and preferred to formal sector employment”. However, rather than postulating that voluntary informality dominates, he merely called for an analytical distinction between the two segments.

While recognizing that not all employment in the informal economy need not always be of poor quality, the delegations at the 90th International Labour Conference (ILC) concluded that, on balance, decent work deficits are particularly severe in the informal economy:

“Workers in the informal economy are not recognized, registered, regulated or protected under labour legislation and social protection, for example when their employment status is ambiguous, and are therefore not able to enjoy, exercise or defend their fundamental rights. Since they are normally not organized, they have little or no collective representation vis-à-vis employers or public authorities. Work in the informal economy is often characterized by small or undefined workplaces, unsafe and unhealthy working conditions, low levels of skills and productivity, low or irregular incomes, long working hours and lack of access to information, markets, finance, training and technology. Workers in the informal economy may be characterized by varying degrees of dependency and vulnerability.” (ILC, 2002: para. 9).

In their policy advice, the delegations thus called “to eliminate the negative aspects of informality while at the same time ensuring that opportunities for livelihood and entrepreneurship are not destroyed” (ibid.: para. 13). The proposed strategy thus focused on the promotion of decent work in the informal economy, and hence recommended a broad approach that includes realizing fundamental principles and rights at work, creating greater and better employment and income opportunities, extending social protection, and promoting social dialogue. The delegations also recalled the right of everyone to “conditions of freedom and dignity, of economic security and equal opportunity” as stated in the Declaration of Philadelphia (ibid.: para. 1) and reaffirmed that “[a]ll workers irrespective of employment status and place of work, should be able to enjoy, exercise and defend their rights as provided for in the ILO Declaration on Fundamental Principles and Rights at Work” (ibid.: para. 22).

In sum, the new international consensus explicitly recognizes the rights of informal workers. This is in sharp contrast to the colonial legacy that sought to denigrate and delegitimize workers outside the settler-dominated formal sector.

b. Statistical definitions and measurement concepts

The measurement of employment and unemployment is guided by the International Conference of Labour Statisticians (ICLS), conveyed by the ILO in intervals of roughly five years. The resolutions adopted by this conference cover a wide variety of issues, and their main purpose is to “provide technical guidelines for the development of national labour statistics on the basis of accepted definitions and methods, to enhance the international comparability of labour statistics, and to protect labour statistics against public criticism and political interference at the national level” (Husmanns, 2007: 2). Thus, in compiling labour statistics, statistical offices around the world draw on one single set of internationally accepted recommendations.

For statistics on employment and unemployment, the *Resolution concerning statistics of the economically active population, employment, unemployment and underemployment* that was adopted by the 13th ICLS in October 1982 is the main guideline (ICLS, 1982; Husmanns et al., 1990). It uses the labour force framework that covers a country’s population above a certain age threshold (often 14 or 15 years) and divides it into three mutually exclusive categories: the employed, the unemployed, and the economically inactive population. To ensure that each individual is classified into one category only, the first step is to identify all employed persons, and only then to identify the unemployed among the remaining persons, in a second step. Taken together, the employed and the unemployed form a country’s labour force (or currently active population). Those outside the labour force (i.e. those who are neither employed nor unemployed) are considered to be economically inactive; they include many students, homemakers and retirees.

i. Work and employment

The ICLS definition of employment captures as main components all those who have done some work over a short reference period (usually one week, sometimes one day). It covers two principal categories of workers:

- (i) those in paid employment, i.e. those who have performed some work for wage or salary, in cash or in kind; and
- (ii) those in self-employment, i.e. those who have performed some work for profit or family gain, in cash or in kind.

The central criterion is thus having done “some work” over the past day or week.⁶ This prompts two questions: what would qualify as “some”, and what should be considered “work”. With respect to the first, the ICLS recommends to include all those who have worked for at least one hour over the reference period. For the second, the ICLS resolution refers to the International System of National Accounts (SNA) and includes all those engaged in the production of goods and services as defined by the SNA. This ensures that employment statistics with statistics on production, as compiled in national accounts.

Under the current revision of the International System of National Accounts (SNA 1993)⁷, the following types of activity fall inside the production boundary:

- (a) all production of *goods or services for the market*, including that of intermediate goods and services; and
- (b) the production of *goods for own final consumption*.

In general, the production of *services for own final consumption* within households is excluded from the scope of the production boundary. A major reason for this is that if the “the production of personal and domestic services by members of households for their own final consumption [such as the preparation of meals, care and training of children, cleaning, repairs], all persons engaged in such activities would become self-employed, making unemployment virtually impossible by definition.” (SNA 1993: para. 1.22) However, as an exception to this rule, the production boundary includes:

- (c) services produced by employing paid domestic staff and the own-account production of housing services by owner occupiers.

All market-oriented activities – such as street vending or small-scale manufacturing – clearly fall within the production boundary, as do communal farming and other production of goods for own consumption (see in more detail Hussmanns, 2007).⁸ By recognizing all economic activity as work, the ICLS definition includes those as employed who are

⁶ In addition, the following are classified as employed: those who are in paid employment but not currently at work but maintain a formal attachment to a job (e.g. paid sick leave or annual leave), and the self-employed who have an enterprise but are currently not at work for any specific reason. The inclusion of those temporarily absent from work in the “employed” category is explained in detail in Hussmanns et al. (1990: 72ff.)

⁷ The delineating of the production boundary will remain unchanged in the forthcoming revision of the SNA, planned for 2008 (see Hussmanns, 2007: 4).

⁸ Theft and begging are in general excluded from the production boundary, since no production takes place (Hussmanns, 2007).

engaged in communal agriculture or work in the informal sector. Again, this is in sharp contrast to the colonial legacy that, as discussed above, sought to denigrate traditional crafts and autonomous activities outside the settler-controlled formal sector, and thus only recognized formal sector employment as “work”.

The broad meaning of “work” in the context of labour statistics can, however, sometimes lead to cognitive problems when people are asked whether they have worked or not during the past week (or day). Survey respondents frequently do not consider their own economic activities to be “work”, especially when they are carried out at home or in agriculture and related activities (see Hussmanns et al., 1990: 25ff.). Anecdotal evidence from Zimbabwe, too, shows that many people have a very narrow understanding of work. During the pre-test for the Survey on Informal Employment in Glen View (see Luebker, 2008.), the interviewers experimented with two versions of the questionnaire, one of which asked “Did you work for one hour or more in the last 7 days?”. This was frequently denied by the respondents – often despite the fact that they were visibly working while the interview took place.⁹ A frequently applied solution is to add an explanation to the question that specifies examples of what would be considered work; another is to list a range of activities that fall within the production boundary and to ask respondents for each of them whether they have performed them or not (ibid.).

ii. Unemployment (standard and relaxed definition)

Under the labour force framework, employment and unemployment are conceptualized as mutually exclusive categories and the first definitional criterion for unemployment is in fact (a) that a person is “*without work*” in the sense of the definition laid out above (i.e., neither in paid employment nor self-employed). However, not everyone without work is regarded as unemployed as (b) she must also be “*currently available for work*”. This means that, given the opportunity, a person would be ready and able to work. The availability criterion thus excludes those who cannot (or do not want to) take up work. The third and final criterion of the standard definition is that (c) a person must be actively “*seeking work*”, in the sense of having undertaken “specific steps in a specified recent period to seek paid employment or self-employment” (ICLS, 1982: Art. 10). Such steps include the registration with labour exchanges, sending applications to potential employers, checking at worksites, farms or factory gates, or asking friend or relatives to help find work. The rationale behind this is that those who do not actively search for work are, effectively, detached from the labour market and thus should not be included in the labour force. It is worth noting that this definition of unemployment does in no way suggest that the unemployment rate should be used to portrait the overall labour market situation – what it does is no more (and no less) than to provide a measure of failed access to employment.

The standard definition of unemployment thus requires that a person is simultaneously without work, currently available for work, and actively seeking work. The application of the last criterion, however, can make the scope of the measurement somewhat restrictive and ill-suited to capture the prevailing employment situation in developing countries (see Hussmanns, 2007: 16). Whereas in industrialized countries, most people are oriented towards paid employment and a wide variety of job-search opportunities exists, this is often not the case in the developing world (Hussmanns et al., 1990: 105f.). The ICLS has thus provided for a relaxation of the standard definition:

⁹ As one elderly lady selling vegetables on the street, who insisted that she was not working, put it: “Young man, if I had work, would I be standing here all day long selling tomatoes?” (personal observation, 2006). From the perspective of the ICLS definition, though, she clearly had work.

“In situations where the conventional means of seeking work are of limited relevance, where the labour market is largely unorganised or of limited scope, where labour absorption is, at the time, inadequate, or where the labour force is largely self-employed, the standard definition of unemployment [...] may be applied by relaxing the criterion of seeking work.” (ICLS, 1982: Art. 10).

The relaxed definition is thus considerably broader than the standard definition of unemployment since it also covers those who satisfy the first two conditions (without work and currently available for work) but not the third (seeking work). This group is sometimes called “available non-seekers”. Their inclusion among the unemployed (relaxed definition) or their exclusion from the unemployed (standard definition) and hence the labour force can sometimes make a noticeable impact on the number of unemployed people. Therefore, unemployment statistics should clearly specify which of the two definitions is applied.

iii. Not economically active

The third and last remaining principal component of the working age population is the easiest to define. According to the priority rules of the labour force framework (see Hussmanns et al., 1990: 38ff.), the three categories are mutually exclusive and employment takes priority over unemployment and inactivity, and unemployment takes priority over inactivity. Thus, the economically inactive population simply consists of those above the age threshold who are neither employed nor unemployed, as defined above. When the standard definition of unemployment is applied, available non-seekers are considered economically inactive. Other groups that are typically economically inactive include students, homemakers and retirees. However, not every student, homemaker or retiree is automatically economically inactive – whenever he or she has done some work (in the sense described above) or is without work but currently available for work (and, in case of the standard definition, also seeking work), he or she should be classified as employed or unemployed, respectively. In practical terms, this means that the analysis of labour force survey data starts with the identification of those above the age threshold, then classifies the employed, then moves on to categorize the unemployed and only in the final step, groups the remainder as economically inactive.

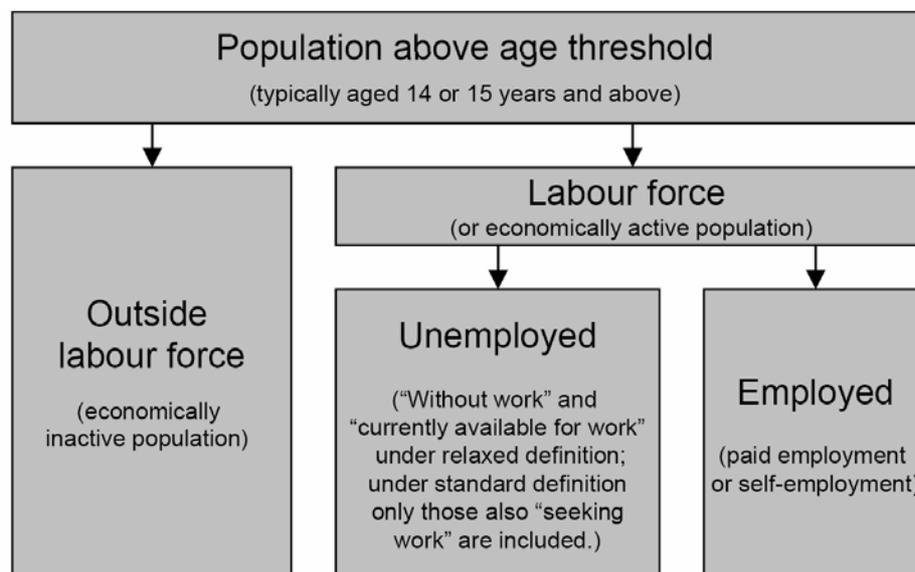
iv. Labour force framework and unemployment rates

The main categories of the labour force framework are again summarized in Figure 1: as explained above, the population above the age threshold can be divided into three groups, namely the employed, the unemployed and the economically inactive. Taken together, the employed and the unemployed form a country’s labour force. From here, it is a small step to calculate an unemployment rate: it is simply the unemployed expressed as a percentage of the total labour force (see Hussmanns et al., 1990: 96). This calculation can either be based on the standard or the relaxed definition of unemployment. Since the standard definition excludes those not actively seeking work from the unemployed (and from the labour force), unemployment rates will be lower when the standard definition is applied. The actual difference between the two rates will depend on how many people satisfy the first two conditions of unemployment (“without work” and “currently available for work”) but not the third (“seeking work”). From a methodological perspective, it can be useful to calculate both rates to assess the impact of the relaxation of the standard definition; in any case, unemployment statistics should clearly state which of the two definitions is used.

It has been argued that “[t]he labour force framework [...] is best suited to situations where the dominant type of employment is regular full-time paid employment” (Hussmanns et al., 1990: 44). Since paid employment always falls within the production boundary of the System of National Accounts (SNA), the classification of employees is unambiguous. By contrast, unpaid home-based activities can lead to a categorization problem as to whether they constitute production of goods for own consumption (considered self-employment) or

production of services by household members for the household's own immediate consumption (not considered employment). More importantly, however, is that one of the definitional criteria of unemployment is the *total* lack of work. In industrialized countries, where comprehensive social security systems exist, those without paid employment generally benefit from unemployment insurance payments or other social transfers and can thus meet their basic subsistence needs without doing any work.

Figure 1: Main categories of the Labour Force Framework



Source: Adapted from Hussmanns et al. (1990).

The situation is of course different in developing countries that generally lack comprehensive social security systems to support those who cannot find paid employment¹⁰. Despite increased rural-urban migration, and sluggish job creation in the formal sector, unemployment is thus generally relatively low in developing countries. This results from the fact that few people can stay without doing at least some work for any prolonged time. At times of economic distress, more and more people may be forced to take up some kind of work, either as a casual worker or in self-employment. The paradoxical outcome is that economic crises can be accompanied by *falling* (rather than *rising*) unemployment rates. Referring to the ILO's work in the 1970s and late 1960s, Paul Streeten writes:

“The ILO employment missions discovered or rediscovered that, to afford to be unemployed, a worker has to be fairly well off. To survive, an unemployed person must have an income from another source. The root problem is poverty, or low-productivity employment, not unemployment. Indeed, the very poor are not unemployed, but work very hard and long hours in unremunerative, unproductive forms of activity.” (Streeten, 1981: 13).

Clearly, the unemployment rate is thus an indicator that needs to be supplemented with information that allows better capturing of the overall labour market situation. The conclusion drawn by the ILO mission was, as discussed above, to highlight employment in the informal sector. Labour statisticians have responded to this by going beyond enumerating those who have work (and those who lack it) and have developed two different but related concepts to capture informality: the first is based on characteristics of

¹⁰ See van Ginneken (1999 and 2003); for a comprehensive analysis of social security coverage in Zimbabwe see Kaseke (2003a and 2003b).

the enterprise (or, more generally, the production unit) in which a job is held, the other is directly based on job attributes.

v. Employment in the informal sector (enterprise-based concept)

In 1993, the 15th International Conference of Labour Statisticians (ICLS) defined employment in the informal sector enterprises on the basis of production units (or enterprises). Under this definition, the informal sector consists of informal own-account enterprises and enterprises of informal employers.¹¹ They are defined as:

“private unincorporated enterprises [...], i.e. enterprises owned by individuals or households that are not constituted as separate legal entities independently of their owners, and for which no complete accounts are available that would permit a financial separation of the production activities of the enterprise from the other activities of its owner(s).” (Husmanns, 2004: 3).

From this follows the statistical operationalization set forth by the ICLS (1993). It considers private unincorporated enterprises as informal when they are not registered under national legislation such as factories or commercial acts or tax and social security laws established by a national legislative body.¹² Registration is distinct from a mere trade licence, etc., that is issued by a local authority. The ICLS also proposes two further elements that can be used to adapt this operationalization to national circumstances: firstly, that enterprises are engaged in non-agricultural activities, and secondly that they employ no more than a certain number of employees (e.g. five or nine).¹³

To sum up, the informal sector consists of production units that are (a) not registered and, as optional criteria, (b) are engaged in non-agricultural activities, and (c) have a number of employees below a certain threshold. Employment in the informal sector is the sum of all persons who were employed in at least one informal enterprise, regardless of whether employment was held as a main or secondary job (ICLS, 1993: Art. 11). This requires statistics to be collected on multiple job-holding, and the characteristics of the enterprise each job is held in. However, due to practical constraints, labour force surveys often only collect information on the main job held by an individual so that the unit of observation is persons, rather than jobs. Since some workers in the formal sector also work in the informal sector in addition to their main job, this can lead to an underestimation of employment in the informal sector.

vi. Informal employment (job-based concept)

While the enterprise-based concept of informality has a number of important advantages – including its compatibility with the SNA – it also has several drawbacks. One important criticism is that the informal sector concept is of limited relevance for industrialized countries where paid employment in formal enterprises dominates, and where the majority of own-account enterprises (such as those of lawyers and physicians) is registered under

¹¹ The term “enterprise” is understood in a very broad sense and covers all production units, including those that are household-based. For a comparison between the institutional units by sector under the SNA 1993 and the production units by type under the 17th ICLS resolution, see Chapter 2 of Husmanns (forthcoming).

¹² It leaves open the possibility to include all own-account enterprises in the informal sector (ICLS, 1993: Art. 8-9).

¹³ The ICLS resolution and a more detailed elaboration on the definition of the informal sector, including the treatment of special cases, are found in Husmanns (2004).

national legislation. Statistics that draw on the enterprise-based definition can thus create the misleading impression that informality is a phenomenon restricted to developing countries. As Hussmanns (2004: 1) writes, the informal sector concept has been criticized for its failure to “capture all aspects of the increasing so-called ‘informalization’ of employment, which has led to a rise in various forms of informal (or non-standard, atypical, alternative, irregular, precarious, etc) employment [...]” (Hussmanns, 2004: 1). While the informal sector concept was never meant to capture the nature of an employment relationship, there is now agreement that informalization of employment – including in the formal sector – needs to be captured by statistics.

In 2003, the 17th ICLS therefore endorsed a job-based concept of informal employment that maintains a link to and consistency with the sectoral approach. It uses a building-block approach that disaggregates total employment along two dimensions (Hussmanns, 2004: 4f.; ICLS, 2003):

- (a) *Type of production unit.* This disaggregation distinguishes between *formal sector enterprises* (that includes corporations and quasi-corporations, formal unincorporated enterprises, non-profit institutions and government units), *informal sector enterprises* (as defined above) and *households* producing goods for their own use (including communal farming) and those employing paid domestic workers.
- (b) *Status in employment.* Here, the five categories of the International Classification by Status in Employment (ICSE-1993) are used, namely own-account workers; employers; contributing family workers; employees; and members of producers’ cooperatives. With the exception of contributing family workers, each category is further sub-divided according to the formal vs. informal status of their job.

A matrix with these two dimensions is provided in Table 1; those combinations that are excluded by definition are shaded in grey. Jobs of own-account workers, employers and members of producers’ cooperatives are classified as formal when they are in production units of the formal sector, but as informal when they are production units of the informal sector (or, in the case of own-account workers, in households). Further, contributing family workers are always considered as informally employed (even when, as the case may be, the enterprise is in the formal sector). By contrast, employees can hold either formal or informal jobs in each type of production unit. Here, the nature of the employment relationship needs to be analyzed further to allow for its classification as “formal” or “informal”.

Table 1: Matrix of employed population by institutional sector and status in employment

	Own-account worker		Employer		Contributing family workers	Employees		Members of producers’ cooperatives	
	Informal	Formal	Informal	Formal	Informal	Informal	Formal	Informal	Formal
Formal sector enterprises		0		0	X	X	0		0
Informal sector enterprises ¹	X		X		X	X	0	X	
Households ²	X					X	0		

Notes: Cells that are excluded by definition are shaded grey; informal jobs are marked with an “x”, formal jobs with an “o”. (1) As defined by the 15th ICLS (excluding households employing paid domestic workers). (2) Households producing goods for their own final use and households employing paid domestic workers.

Source: Adapted from Hussmanns 2004.

The main aim of such a classification is to distinguish those employees who have a secure job holding and enjoy the rights that come with it, such as social security coverage, from those with unprotected and unstable employment. The 17th ICLS adopted the following definition in 2003:

“Employees are considered to have informal jobs if their employment relationship is, in law or in practice, not subject to national labour legislation, income taxation, social protection or entitlement to certain employment benefits (advance notice of dismissal, severance pay, paid annual or sick leave, etc.). The reasons may be the following: non-declaration of the jobs or the employees; casual jobs or jobs of a limited short duration; jobs with hours of work or wages below a specified threshold (e.g. for social security contributions); employment by unincorporated enterprises or by persons in households; jobs where the employee’s place of work is outside the premises of the employer’s enterprise (e.g. outworkers without employment contract); or jobs for which labour regulations are not applied, not enforced, or not complied with for any other reason.” (Guidelines concerning a statistical definition of informal employment, 17th ICLS 2003, paragraph 3 [5]).

A number of survey questions have been tested to operationalize informal job-holdings by employees, such as questions referring to the lack of a written contract and the lack of social security coverage (Husmanns, 2004: 16f.; ILO Bureau of Statistics, 2004). On the basis of these tests, the following three questions have been recommended:

- “Does your employer pay contributions to the pension fund for you?” (Yes/No/Do not know)
- “Do you benefit from paid annual leave or from compensation instead of it?” (Yes/No/Do not know)
- “In case of incapacity to work due to health reasons, would you benefit from paid sick leave?” (Yes/No/Do not know)

The common principle behind these questions is that of “no work, no pay”, i.e. that if a respondent does not work (or, as in the case of old age, no longer works) the employment relationship does not provide him or her with ongoing remuneration (or, for that matter, a pension). All employees who answered “no” to at least one of the above questions are considered informally employed (see Husmanns, 2004: 16f.). This is typically the case for casual, temporary, contract and seasonal workers, but not for permanent paid employees. Where existing labour force survey data contain information that allows classifying jobs into these two categories, they may thus be used as a proxy for informal jobs (i.e. casual, temporary, contract and seasonal workers) and formal jobs (i.e. permanent employees). Note, however, that this approach is likely to under-estimate of the number of informal employees: while hardly any of those in the first group will enjoy all of the three benefits prompted in the indicator questions above, some permanent employees will lack at least one of the benefits in question.

vii. Complementary nature of the two concepts of informality

The two concepts of informality – one based on enterprise characteristics, the other on job attributes – serve as complements, rather than substitutes. When the International Labour Conference discussed informality in 2002, it referred to both concepts and defined “employment in the informal economy”, as “all economic activities by workers and economic units that are – in law or in practice – not covered or insufficiently covered by formal arrangements“ (ILC, 2002: para. 3). Hence, for measurement purposes, this is understood to be employment in the informal sector plus informal employment outside the informal sector. However, the 17th ICLS rejected use of the term “informal economy” for statistical purposes so that the enterprise-based and the job-based definitions of informality remain the relevant statistical concepts.

As part of the ongoing research at the ILO Bureau of Statistics (see Heintz, forthcoming), data for both concepts have been compiled for a number of countries (see Table 2). The

results exclude agriculture and hence refer to non-agricultural employment only. Two things become apparent:

- (a) Informality can be found in all countries covered, but the share in employment differs greatly between countries. Taking the informal sector concept, it ranges from 7.5 per cent in Moldova to 71.4 per cent in Mali, and under the informal employment concept from 8.6 per cent in Russia to 81.8 per cent in Mali.
- (b) With one exception¹⁴, informality is higher when the job-based concept (informal employment) is used than under the enterprise-based concept (employment in the informal sector). This reflects the fact that most workers in the informal sector also fall under the job-based definition of informality (i.e. are informally employed), but that in addition a number of workers in the formal sector lack secure contracts with entitlements to social security and other employment benefits and are thus also considered informally employed.

Table 2: Non-agricultural employment in twelve countries, by different concepts of informality (as % of female, male and total non-agricultural employment)

Country	Year	Enterprise-based concept of informality (informal sector)			Job-based concept of informality (informal employment)		
		Female	Male	Total	Female	Male	Total
Brazil	2003	31.5	41.9	37.4	52.3	50.2	51.1
Ecuador	2004	44.2	36.5	40.0	76.9	73.2	74.9
Kyrgyz Rep.	2003	39.2	45.3	42.7	40.9	47.1	44.4
Mali	2004	79.6	62.9	71.4	89.2	74.2	81.8
Mexico	2005	29.9	35.2	33.1	66.5	65.0	65.6
Moldova	2004	4.6	10.7	7.5	18.4	25.0	21.5
Panama	2004	29.3	35.0	32.6	50.4	48.7	49.4
Peru	2004	55.3	57.1	56.3	72.0	65.1	67.9
Russia*	2004	11.3	12.4	11.9	7.6	9.6	8.6
South Africa	2004	16.1	15.0	15.5	64.9	51.0	57.2
Turkey	2004	n/a	n/a	n/a	35.8	35.2	35.3
Venezuela	2004	44.9	46.8	46.0	52.1	47.5	49.4

Notes: All figures refer to employment outside agriculture. Primary data sources are as follows, Brazil: ILO estimates based on official data from various sources; Mali, South Africa: ILO estimates computed from labour force survey micro data. Other countries: labour force survey data. (*) De jure informal jobs.

Source: ILO Bureau of Statistics.

In summary, it can be argued that collecting information on informality can usefully add to our understanding of the labour market situation in developing and industrialized countries, and is often more informative than a simple breakdown along the line of employed vs. unemployed. While not all formal jobs are good jobs and not all informal jobs are bad jobs, informal workers generally lack the rights and security that come with a formal employment relationship. Hence, decent work deficits are often most pronounced in the informal economy, and informality provides a useful lens through which they can be analyzed. The Decent Work concept, in turn, provides a good theoretical basis to examine job quality, given the concept's multi-faceted approach to work and employment (see Anker et al., 2003; Ritter, 2005; Zarka-Martres and Guichard-Kelly, 2005).

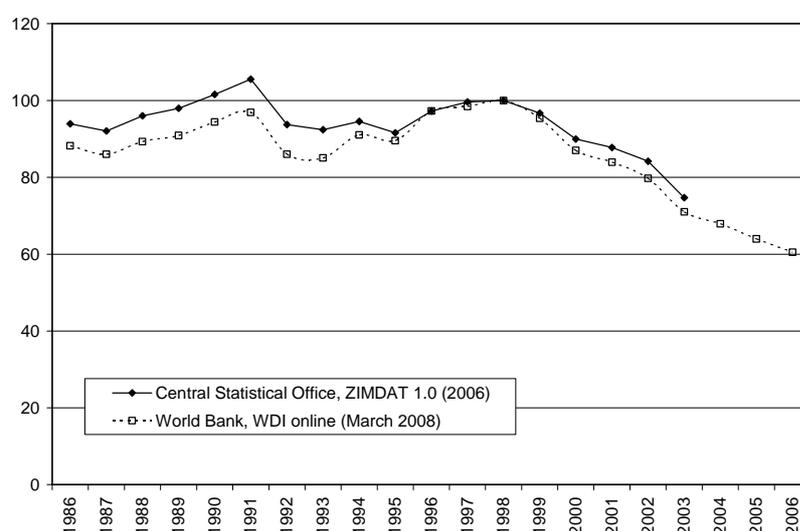
¹⁴ This is the case of Russia where the informal employment only refers to *de jure* informal jobs, and not – as elsewhere – to jobs that in law or in practice informal. The figures for Russia are thus not strictly comparable to those for other countries.

c. Economic and labour market trends in Zimbabwe

As argued above in Section II.a., the development of the informal economy cannot be seen in isolation from a country's overall economic performance. In particular, the generation of jobs in the formal sector is often a crucial determinant of the size of the informal sector since the latter frequently absorbs those who cannot find employment in the formal sector: when formal sector employment is stagnating or falling, more and more people will be forced to engage in survivalist activities to meet their most basic requirements. While the informal sector can thus provide a buffer against economic shocks, the downside is that the marginal productivity in the sector is often very low. Therefore, that average returns to labour fall with increased labour supply. The result is widespread poverty (Mhone, 1996).

It is beyond the scope of this paper to analyse the current economic situation in Zimbabwe and the country's current severe economic crisis in depth. However, for the benefit of the reader who is unfamiliar with the situation in Zimbabwe, some key statistics on economic growth, inflation and formal sector employment are provided below. (Readers familiar with the country might want to skip this section.)

Figure 2: Real GDP per capita in Zimbabwe, 1986 to 2005 (Index: 1998 = 100)



Note: Index figures were calculated on the basis of the series "GDP per capita average annual growth rate at constant prices" (CSO) and "GDP per capita growth (annual %)" (World Bank), setting the index figure for 1998 at 100.

Sources: Central Statistical Office (ZIMDAT 1.0, 2006) and World Bank (2008, WDI online).

Figure 2 maps the trend in real per capita incomes from the late 1980s onwards, based on two alternative data sources. As can be seen, the figures taken from the Central Statistical Office (CSO) and those from the World Bank by-and-large match each other, with the slight difference that the World Bank provides a more optimistic view of Zimbabwe's growth performance during the late 1990s than the CSO (and hence, starting from a higher base, a somewhat more pronounced fall thereafter). Both sources show that per capita incomes grew in the range of 2 to 4 per cent per annum from 1988 to 1991, and then sharply declined in the following years. The economic downturn coincided with the adoption of the ESAP (Economic Structural Adjustment Programme) in 1991 which, although home-grown, involved the familiar components of adjustment programmes sponsored by the Washington-based international financial institutions: and trade liberalization, reductions in public spending and the deregulation of the domestic economy (see e.g. ILO, 1993; Kanyenze, 1999; Davies and Ratsø, 2000). However, much of the

initial slump in GDP can be attributed to the severe drought of 1991/92¹⁵ after which the recovery was slow, and in 1998, per capita GDP was at roughly the same level as in 1991.

Overall, the adjustment period was one of economic stagnation and the outcome of the ESAP and the Zimbabwe Programme for Economic Transformation (ZIMPREST) that succeeded the ESAP in 1996 was disappointing at best (see Kanyenze, 1999; Davies and Ratsø, 2000). There is some evidence that household consumption actually fell during this period and that poverty worsened (Alwang et al., 2001). Moreover, the budget cuts on social expenditure and the introduction of cost-recovery schemes had overall negative effects on public health and education, for which Zimbabwe had previously achieved an impressive record (see Dhliwayo, 2001).

The country's current economic crisis began in the late 1990s, and its depth is evident from the sharp decline in output: by 2003, the last year for which data are available from both the CSO and the World Bank, GDP per capita had fallen to below three quarters of its 1998 level, going by either source.¹⁶ The decline has continued thereafter and, according to World Bank data, per capita GDP was just 60.5 per cent of its 1998 level in 2006. The Reserve Bank of Zimbabwe (2008: 53) estimates that real GDP fell by another 6 per cent in 2007. The reasons for the crisis are manifold and inter-woven; those most frequently cited in the literature include: Zimbabwe's costly involvement in the conflict in the DR Congo; high pay-outs to veterans of the liberation war that had inflationary consequences; the often chaotic implementation of the country's land reform programme; the decline of export revenue from the agricultural sector; high budget deficits that were financed through money creation, and subsequently high inflation; economic distortions caused by price regulations and the misalignments of the foreign exchange rate; erosion of property rights and entrepreneurial freedom; international sanctions such as travel restrictions on the country's elite; declining FDI inflows and lack of access to credit and balance of payment support from agencies such as the IMF and the World Bank (see e.g. Richardson, 2005; Clemens and Moss, 2005; Richardson, 2007; Coorey et al., 2007; Reserve Bank of Zimbabwe, 2008).

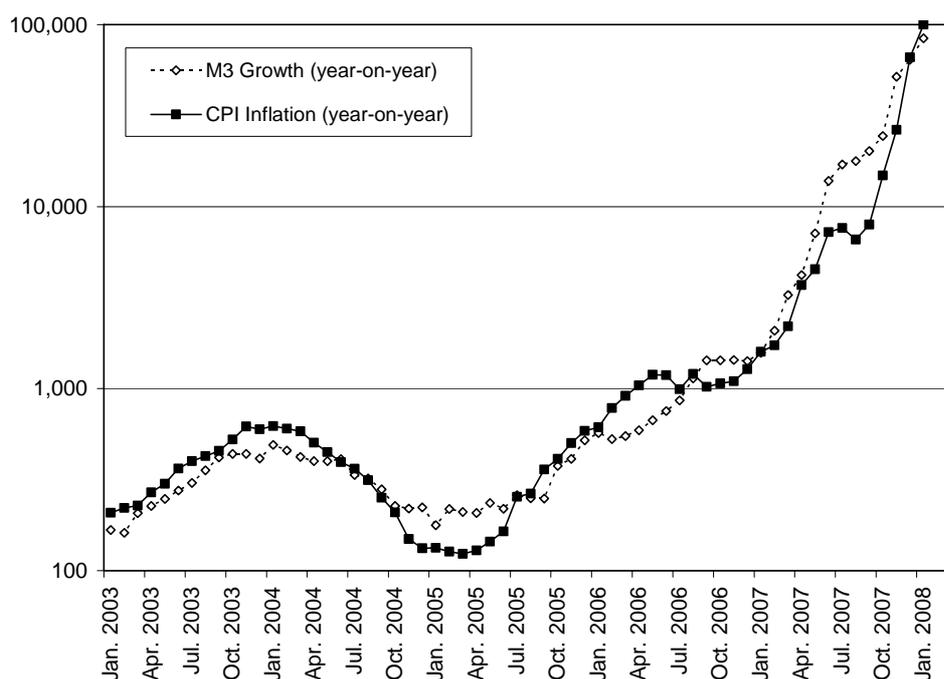
One aspect of the economic crisis deserves particular attention in the context of employment: high inflation that rapidly erodes the purchasing power of wages that had already fallen in real terms in most sectors during the 1990s (see Ncube, 2001). Figure 3 shows the trend in annual Consumer Price Index (CPI) inflation from January 2003 to January 2008, based on official figures published by the Reserve Bank of Zimbabwe and the Central Statistical Office. Inflation rates have been above 100 per cent for the entire period and exceeded 500 per cent from October 2003 to April 2004, but then returned to lower levels in early 2005. However, inflation has accelerated considerably thereafter and surpassed 1 000 per cent in April 2006, 10 000 per cent in October 2007, and 100 000 per cent in January 2008. No official inflation rates have been published thereafter, but unconfirmed media reports suggest that inflation was well above one million per cent in June 2008¹⁷.

¹⁵ Rainfall across Zimbabwe during the 1991-92 crop season was 45.8 per cent below the long-term average (see Richardson, 2007: 473).

¹⁶ The exact numbers are 74.7 per cent according to the CSO, and 71.0 per cent according to the World Bank.

¹⁷ See Zimbabwe Independent, *Inflation gallops ahead: 9 000 000 per cent* (26 June 2008).

Figure 3: CPI inflation and broad money supply in Zimbabwe, Jan. 2003 to Jan. 2008 (logarithmic scale)



Note: All figures are growth rates on year earlier. Calculated from the raw data on the CPI and M3, as compiled by the Central Statistical Office and supplied by the Reserve Bank of Zimbabwe.

Source: Based on Reserve Bank of Zimbabwe, web-site (<http://www.rbz.co.zw/about/inflation.asp>), and RBZ monthly reports.

As can be seen from Figure 3, the CPI inflation closely tracks the growth of broad money supply (M3). There is, however, some time lag in the inflationary effect of money creation: when broad money growth fell short of current CPI inflation, such as in early 2004, or early 2006, inflation declined or stabilized thereafter; when money creation exceeded actual CPI inflation (as in early 2005, late 2006 and mid-2007), inflation increased thereafter.¹⁸ One factor behind this is a very loose monetary policy. The Reserve Bank's key overnight interest rates have often been below inflation (and sometimes drastically so), making real interest rates highly negative.¹⁹ However, it has been argued that Reserve Bank's quasi-fiscal operations and direct lending to government are by far the most important factors behind the rapid growth in money supply (Muñoz, 2006 and 2007; for detailed statistics see the RBZ's Monthly Reviews). The Reserve Bank accepts the importance of curbing money supply in order to contain inflation; as the Reserve Bank's Governor argued in his 2006 year-end Monetary Policy Statement:

“The urgency of the need to reduce inflation impels that 2007 be the year for unprecedented fiscal and monetary policy restraint, supported by close coordination of efforts. To this end, the Reserve Bank will reduce annual broad money supply (M3) growth from the current levels of over 1 000 per cent to between 415 and 500 per cent by December, 2007, and subsequently to under 65 per cent by December, 2008.” (Reserve Bank of Zimbabwe, 2007: para. 6.17f.).

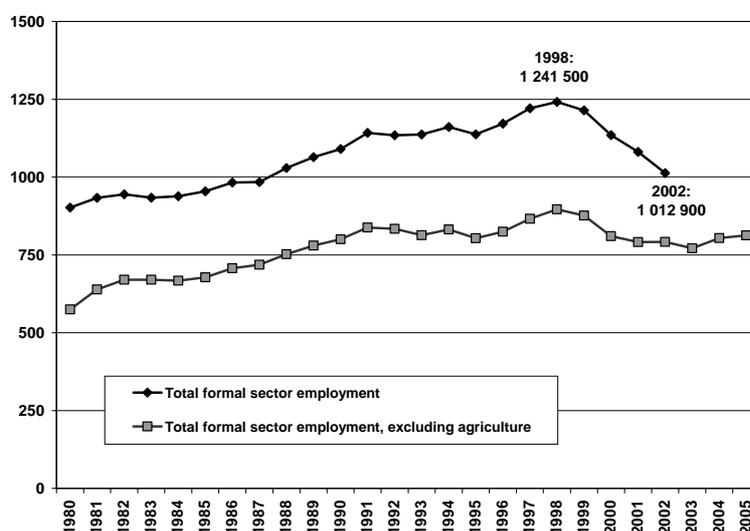
¹⁸ However, some of the differences between M3 growth and CPI inflation might be due to measurement error in the CPI variable (see Muñoz, 2006).

¹⁹ For example, the overnight interest rate was 600 per cent on 31 July 2007 when CPI inflation was running at 7635 per cent and at only 6500 per cent in June 2008, despite year-on-year inflation in excess of 100 000 per cent. See RBZ web-site at www.rbz.co.zw.

In actual fact, according to the Reserve Bank's assessment, annual broad money supply (M3) growth "continued on an upward trend, increasing from 1 638.4 per cent in January 2007 to 24 463.6 per cent in October 2007" (RBZ, 2008: 62). By December 2007, broad money supply growth had reached 64 118 per cent²⁰ and was therefore far above the target of 415 to 500 per cent that the Reserve Bank Governor had set.

The overall macroeconomic environment has thus been unfavourable for the formal sector over most of the 1990s and adverse at best since 1999. This is reflected in the trends in formal sector employment, as collected by the CSO in enterprise surveys. They are displayed in Figure 4 (excluding private domestic workers for which only estimates are available; they are included under 'households' in the present paper). Formal sector employment growth was considerable in the first decade after independence (at a compound annual growth rate of 2.2 per cent between 1980 and 1991). However, employment growth decreased under ESAP and was only 1.2 per cent p.a. between 1991 and 1998. As Ncube (2000) argues, employment generation has thus not matched the entry of new jobs seekers into the labour market in the first two decades of independence.

Figure 4: Formal sector employment in Zimbabwe, 1980 to 2005 (in thousands)



Note: Data for 2005 refer to March 2005, all other years are annual averages. All data exclude private domestic employees.
Source: Central Statistical Office, Labour Statistics 2004, (CSO, 2004a) and Quarterly Digest of Statistics.

With the economic crisis, formal sector employment started to decline: from a peak of 1 241 500 in 1998 it fell to 1 012 900 in 2002 (reflecting a net loss of 228 600 formal sector jobs). This represents a compound annual growth rate of -5.0 per cent. The main cause for this was the sharp reduction in formal agricultural employment from 345 100 (1998) to 193 800 in December 2002. The loss of over 150 000 jobs in formal agricultural enterprises needs to be seen in the context of the country's controversial land reform programme under which about 4000 white-owned large-scale commercial farms have been expropriated since the year 2000. However, non-agricultural employment also fell from 896 400 in 1998 to 812 800 in March 2005 (no more recent data are available).

²⁰ See RBZ Monthly Statistics, January 2008.

III. **Employment, unemployment and informality: Findings from the 2004 LFS**[‡]

Access to employment opportunities is one of the core elements of the ILO's Decent Work Agenda (see ILO, 1999). Although the mere numbers of employed and unemployed persons fail to capture the other dimensions of decent work – and hence the quality of employment –, they still remain informative: when people have no access to work, this implies the absence of decent work. What is more, access to work is often unevenly distributed within society. Two groups, in particular, are often at a disadvantage: women and youth (*ibid.*). Statistics on employment and unemployment that are disaggregated by gender and age help to assess how large these inequalities in access to work are. Moreover, women and youth are often those who find it hardest to find formal employment and provide a disproportionate share of workers in the informal economy. Statistics on informality can reveal these disparities.

The primary source for data on access to employment and many other aspects of decent work are labour force surveys (LFSs). Unlike enterprise surveys and administrative records (two other important sources), they contain rich detail about the employment situation and characteristics of individual respondents. In Zimbabwe, labour force surveys are part of the Central Statistical Office's regular indicator monitoring and are carried out in intervals of approximately five years. Compared to the previous labour force survey, dating back to 1999, the questionnaire for the 2004 survey was significantly expanded in response to suggestions made by data users. It contains an expanded section on informal sector employment, underemployment and on occupational health and safety, and, for the first time, a set of questions to monitor child labour. A wide array of data users and other stakeholders, including the ILO, discussed these changes in a consensus-building workshop held in Mutare in June 2003 (CSO, 2003).

Using the new questionnaire, the interviews for the 2004 LFS took place from 1 to 21 June 2004 across Zimbabwe's ten provinces. A nationally representative sample was drawn on the basis of the 2002 Zimbabwe Master Sample that was developed by the CSO from the 2002 Census (for details of the sampling procedure see CSO, 2005a: 4). In total, interviews were conducted in approximately 9000 households with a total of 37 500 household members (see Table 3 and CSO, 2005a: xi). A population weight developed by the CSO adjusts the sample from each province according to its share in Zimbabwe's total population, estimated at 10.8 million. The average weight of each respondent is thus almost 300-fold, i.e. his or her answer is taken as representative for just under 300 Zimbabweans.²¹

[‡] Research for Sections III and IV was carried out in collaboration with the Central Statistical Office (CSO). The author is particularly indebted to Mr Cyril Parirenyatwa (Deputy Director, Computing, Desktop Publishing and Printing, Household Surveys and Social Statistics), Ms Taizivei Mungate (Assistant Director, Social Statistics Branch) and to Messrs Peter Mawire and Jacob Chitiyo. They provided invaluable support in the analysis of the 2004 LFS, and their warm welcome made it a pleasant experience to work with the CSO. However, the responsibility for findings presented here rests with the author alone.

²¹ The weighted dataset is used throughout this section. Where applicable, the number of missing cases (i.e. with incomplete information) is indicated. While these are often shown as several thousands in the weighted dataset, the number of incomplete questionnaires is typically only a dozen.

Table 3: Sample of the Zimbabwe 2004 Labour Force Survey, by province

Province	Unweighted sample		Weighted sample	
	Persons	In % of total	Persons	In % of total
Bulawayo	2 844	7.6	568 157	5.3
Manicaland	4 259	11.3	1 468 196	13.6
Mashonaland Central	3 472	9.3	898 271	8.3
Mashonaland East	3 172	8.5	980 592	9.1
Mashonaland West	3 887	10.4	1 211 863	11.2
Matabeleland North	2 921	7.8	649 431	6.0
Matabeleland South	3 788	10.1	591 989	5.5
Midlands	4 692	12.5	1 320 705	12.2
Masvingo	4 313	11.5	1 192 550	11.0
Harare	4 187	11.2	1 933 864	17.9
Total	37 535	100.0	10 815 618	100.0

Source: Zimbabwe 2004 Labour Force Survey, author's calculations.

The results from the 2004 Labour Force Survey were published by the CSO in 2005 (CSO, 2005a), and a separate Child Labour Report covers the findings from the module on child labour (CSO, 2005b). The two reports have a combined length of 240 pages and provide a comprehensive analysis of the 2004 LFS.

The present section has a more limited scope, namely:

- (a) to apply the labour force framework to the dataset to derive statistics on employment and unemployment; and
- (b) to provide data on informality in Zimbabwe by applying both the enterprise-based and the job-based concept of informality to the dataset.

The analysis of the primary 2004 LFS dataset was carried out at the invitation of the CSO in November 2006 on the CSO's premises in Harare. The CSO provided the data-processing equipment and ensured access to original questionnaires and related survey material.

The remainder of this section is structured as follows: Section III.a. provides an analysis of the respondents' labour force status and gives data on employment and unemployment, and the two following sections apply the enterprise-based concept of informality (III.b.) and the job-based concept of informality (III.c.). Section III.d. differentiates by gender and age, and Section III.e. outlines the contribution of different economic sectors to total employment. Section III.f. makes the broad distinction between agricultural and non-agricultural activities that allows to compare the Zimbabwean findings to those from other countries. Section III.g. summarizes the main findings on employment, unemployment and informality in Zimbabwe.

a. Analysis by labour force status

As detailed in Section II.b. above, the *Resolution concerning statistics of the economically active population, employment, unemployment and underemployment* as adopted by the 13th ICLS in October 1982 is the main international instrument that guides the compilation of statistics on employment and unemployment (ICLS, 1982; Hussmanns et al., 1990). It relies on the labour force framework to classify the working age population into three mutually exclusive categories: the employed, the unemployed, and the economically inactive population. Thus, preceding the analysis of employment and

unemployment, the working age population needs to be identified. In Zimbabwe, as in many other countries, the relevant age threshold is set at 15 years (CSO, 2005a: 27; see also Hussmanns et al., 1990: 12f.). Table 4 shows that out of a total of 10.8 million Zimbabweans, 4.3 million (or 39.9 per cent) are below the age threshold and 6.5 million (or 60.1 per cent) are above it. The latter group thus constitutes the working age population (see also CSO, 2005a: 28f.).

Table 4: Zimbabwean population below and above age threshold of 15 years, 2004

	Persons	%
Below age threshold (0-14 years)	4 317 083	39.9
Above age threshold (15 years and older)	6 498 534	60.1
Total population	10 815 618	100.0

Source: Zimbabwe 2004 Labour Force Survey, author's calculations.

In line with the priority rules of the labour force framework, the first step of the analysis is to identify the employed population. Question 19 of the 2004 LFS served this purpose and read “Did [name] work for one hour or more in the last 7 days?”, thus being in compliance with the requirement of the 1982 ICLS resolution to use a short recall period and its recommendation to operationalize the requirement of having performed “some work” as one hour or more (see ICLS, 1982: Art. 9[1]f.). The previous section has already discussed the cognitive problems that are commonly associated with this question, in particular, uncertainty of the respondents as to which of their activities would qualify as “work”. One frequently applied approach is to aid respondents by providing a prompt, listing activities that would fall inside the production boundary as defined under the System of National Accounts, and that should be considered as work (see Hussmanns et al., 1990: 26ff.; Hussmanns, 2007: 5). This strategy was also used in the case of the 2004 LFS by including the following prompt:

“Did [name] do any work of any kind on own or family farm, cattle post/kraal or other agricultural holding (chicken house, vegetable plot etc.)? The work can be for cash income or for own food. Include any form of house construction or major maintenance? Conduct any type of business whether big or small (e.g. brew beer, sell cakes, make mats/clothes, etc)? Help unpaid in a family business of any type? Catch or collect fish or river products? Collect any water or firewood? Make anything from own farm or natural products for sale or own use? Do any type of wage or salary job – full time or part time, temporary, casual, piecework or permanent?”.

Those who answered in the affirmative were asked a number of further questions on the nature of their work that allow corroborating their inclusion among the employed.²² While a detailed analysis of the main tasks performed and the nature of the economic activity a person was engaged in confirmed the classification of the vast majority of respondents as “employed”, there was reasonable doubt as to whether the activities of a smaller group fell inside the production boundary as established by the System of National Accounts (SNA). This was the case for those who performed “domestic work” without being paid domestic workers (e.g. housemaid, gardener, etc.). Examples for domestic work include the preparation of meals, care and training of children, cleaning and undertaking minor repairs of household goods. The SNA sensibly excludes the production of personal and domestic services by members of households for their own final consumption from the production

²² Those who negated this question were asked if they usually work but happened to be absent last week due to leave, sickness, bad weather, etc., allowing to include those with a job but not at work and those with an enterprise but not at work under the employed (see ICLS, 1982: Art. 9.). This is distinct from the analysis of the usually employed / unemployed population that is based on a long recall period of 12 months and not subject to this section (see CSO, 2005a: 39f.).

boundary since otherwise all persons engaged in such activities would become self-employed, making unemployment virtually impossible by definition (SNA, 1993: 1.22).

While it is well possible that the respondents who stated domestic work as their main task also produced goods (rather than services) for their own final consumption, two groups were re-classified as homemakers (and thus as economically inactive) in the present analysis: (i) those who performed domestic work in their own household and were classified as “unpaid family worker”, and (ii) those performing domestic work in their own household, and who are either the household head or immediate family (spouse, son/daughter) (see Appendix 1 for details). This adjustment leads to a more conservative estimate of the employed population. However, the number of employed persons that is given as 5 068 024 in Table 5 is only marginally lower than the total previously published by the CSO (5 136 087 employed persons; CSO, 2005a: 28). This reflects the reclassification of 68 063 respondents (weighted) as homemakers. As will be seen below, the overall impact on the labour force participation and unemployment rates is marginal.

Table 5: Breakdown of working age population by employment status, 2004

	Persons	%
Employed	5 068 024	78.0
Not employed (a)	1 430 510	22.0
Total working age population	6 498 534	100.0

Note: (a) Includes 3 374 cases (weighted) where the respondents could not be classified as employed due to missing information and 68 063 respondents reclassified as homemakers (see Appendix 1).

Source: Zimbabwe 2004 Labour Force Survey, author's calculations.

The next step of the analysis is to classify those who are not employed as either unemployed or as economically inactive. As discussed in Section II.b. above, persons considered unemployed are those who: (a) are without work (i.e. are not employed); and in addition (b) are currently available for work; and (c) have actively been seeking work over the last 30 days. However, the ICLS resolution also provides for a relaxation of this standard definition of unemployment by dropping the last criterion. As argued by the CSO, “[t]he broad [i.e. relaxed] definition of unemployment is more appropriate for Zimbabwe given that there are limited methods of job search, particularly in rural areas” (CSO, 2005a: 31). The current report follows this argument and adopts the relaxed definition of unemployment. As seen in Table 6, out of the total of 1.4 million Zimbabweans of working age who were currently not employed, 528 000 (or 37 per cent) were classified as unemployed under the relaxed definition. Of these, 236 056 fall under the standard definition of unemployment while the larger share (292 780 persons) only meet the first two criteria of the standard definition (without work and available for work) but not the final criterion (seeking work). The inclusion of these so-called “available non-seekers” as unemployed has a major impact on overall unemployment statistics, bringing it to 528 836 persons. Finally, a total of 901 674 were not available for work and therefore excluded from the labour force.

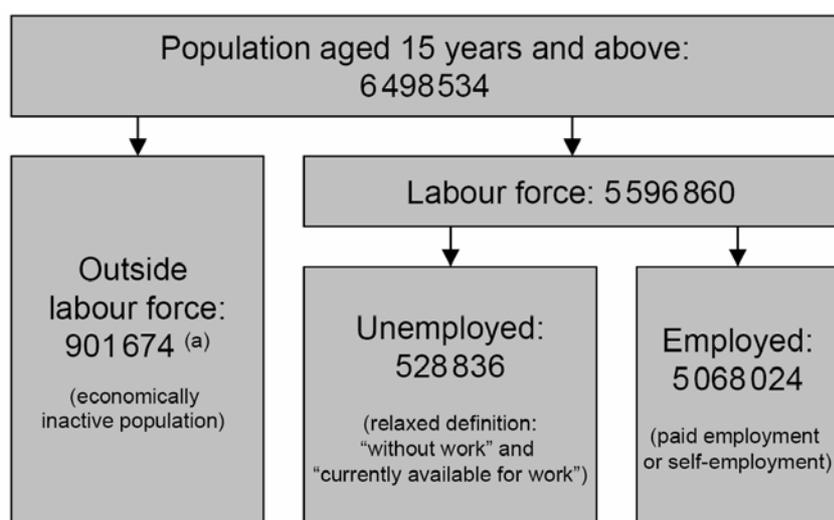
Table 6: Breakdown of the non-employed population by labour force status, 2004

	Persons	In % of total
Unemployed (relaxed definition)	528 836	37.0
Thereof: Unemployed (standard definition)	236 056	16.5
Thereof: Available non-seekers	292 780	20.5
Outside labour force (a)	901 674	63.0
Total non-employed population	1 430 510	100.0

Note: (a) Includes 4 854 respondents (weighted) whose labour force status could not be established due to missing data.

Source: Zimbabwe 2004 Labour Force Survey, author's calculations.

Figure 5: Breakdown of population aged 15 years and above by labour force status, 2004



Note: (a) Includes 4 854 respondents (weighted) whose labour force status could not be established due to missing data and 68 063 respondents (weighted) who were re-classified as homemakers (see Appendix 1).

Source: Zimbabwe 2004 Labour Force Survey, author's calculations.

Figure 5 summarizes the breakdown of the working age population along the lines of the labour force framework by applying it to the graph already familiar from Section II.b, and Table 7 again lists the totals along with their share in the working age population and the labour force, respectively. The first category is formed by the employed population that accounts for approximately 5.1 million persons out of the total working age population of 6.5 million. This makes for an employment to population ratio of 78.0 per cent. Together with the unemployed population (0.5 million), they form Zimbabwe's labour force of some 5.6 million persons. Their share in the total working age population is equivalent to 86.1 per cent, an indicator known as the labour force participation rate.

Table 7: Summary breakdown of working age population by labour force status, 2004

	Persons	As % of total population 15 years and above	As % of total labour force
Employed	5 068 024	78.0	90.6
+ Unemployed (relaxed definition)	528 836	8.1	9.4
= Labour force	5 596 860	86.1	100.0
+ Outside labour force (a)	901 674	13.9	
= Total working age population	6 498 534	100.0	

Note: (a) Includes 4 854 respondents (weighted) whose labour force status could not be established due to missing data and 68 063 respondents (weighted) who were re-classified as homemakers (see Appendix 1).

Source: Zimbabwe 2004 Labour Force Survey, author's calculations.

Finally, the unemployment rate (relaxed definition) is calculated by expressing the number of unemployed persons as a percentage of the total labour force. The result of 9.4 per cent is only marginally higher than the unemployment rate of 9.34 per cent that was published by the CSO in its original analysis of the 2004 Labour Force Survey (CSO, 2005a: 28). The slight discrepancy is due to the exclusion of likely homemakers from the employed population (and hence the denominator), as described in Appendix 1. It makes no substantive difference to the finding that, at just over 9 per cent, Zimbabwe's unemployment rate is relatively modest.

To put this into perspective, Table 8 presents the historical development of unemployment in Zimbabwe since 1982. Since the previous data points are based on the standard definition of unemployment, the standard measure was used for the 2004 LFS to maintain comparability. The time-series shows a substantial decline in the unemployment rate from 10.8 per cent in 1982 to 7.2 per cent in 1986/87, followed by a slight increase to 7.9 per cent in 1993. The period thereafter again shows a substantial decline in unemployment, as measured by the standard unemployment rate that was 6.0 per cent in 1999 and 4.5 per cent in 2004. Moreover, the absolute number of unemployed persons also declined from 347 200 (1993) to just over 297 800 (1999) and further to 236 000 (2004). Parallel to this, the number of employed persons increased from 4.1 million in 1993 to 4.7 million in 1999 and further to 5.1 million in 2004.

Table 8: Unemployment rates (standard definition) in Zimbabwe, 1982 to 2004

	1982	1986/87	1993	1999	2004
Employed	2 215 970	3 026 000	4 056 535	4 665 451	5 068 024
+ Unemployed (standard definition)	268 100	234 000	347 161	297 811	236 056
= Labour force	2 484 070	3 260 000	4 403 696	4 963 262	5 304 080
Unemployment rate (standard definition)	10.8	7.2	7.9	6.0	4.5

Note: The primary sources are the 1982 Population Census; 1986/87 LFS; 1993 IMS; 1999 LFS; and the 2004 LFS. All are based on the standard definition of unemployment, using a short recall period of 7 days.

Source: CSO (2005a: 61); Zimbabwe 2004 Labour Force Survey, author's calculations.

At first sight, this development seems highly counter-intuitive: the 1990s were overall a period of economic stagnation and slow employment growth in the formal sector. Between 1999 and 2004, per capita GDP and employment in the formal sector fell dramatically (see Section II.c.). However, declining unemployment rates need not signal economic progress when a comprehensive social security system is absent. As argued in Section II.b. above, at times of crisis fewer people can afford to stay without doing any work for a long period, and will be forced to take up some kind of work – however small the returns may be. Given that formal sector employment actually declined between 1993 and 2004²³, the expansion in employment by 1 million between 1993 and 2004 (see Table 8) is thus due mainly to the growth of self-created jobs in the informal sector and in households. While these jobs need not be inferior to formal sector jobs, this finding reinforces the argument that one needs to go beyond analyzing the numbers of employed and unemployed persons to look at job characteristics (as will be done in Section IV).

Nonetheless, it is useful to take a more detailed look at the labour force status by demographic characteristics. Table 9 provides a breakdown by age groups (again using the relaxed definition of unemployment). At 15.5 per cent, unemployment is by far the highest for the youngest age group, i.e. those between 15 and 24 years of age. This group is commonly referred to as “youth”, and the Zimbabwean finding that the youth is more severely affected by unemployment than any other age group is in line with that from other countries in Southern Africa (see ILO, 2006 and 2005a). With 302 701 out of the total of 528 836 unemployed falling within the age group 15 to 24 years, youth unemployment actually accounts for 57.2 per cent of total unemployment. High youth unemployment rates

²³ According to the CSO's establishment surveys, total formal sector employment (excl. private domestic workers, incl. agriculture) fell from 1 136 900 in 1993 to 1 013 100 in 2002 (yearly average) and further to 992 400 by December 2002. While no data for agriculture are available thereafter, non-agricultural employment declined between 2002 (792 200 employees) and March 2004 (788 700 employees). Under the conservative assumption that employment in formal sector agriculture (mainly on large-scale commercial farms) remained constant after December 2002, total formal sector employment would have declined by roughly 150 000 between 1993 and March 2004 (see CSO, 2004c).

often reflect the particular difficulties of new entrants to the labour market to find employment.²⁴ By contrast, unemployment rates are far lower for those aged 35 to 54 years (3.9 per cent) and for those aged 55 to 64 (2.7 per cent).

Table 9: Breakdown of population aged 15 years and above by labour force status and age group, 2004

Labour force status	15 to 24		25 to 34		35 to 54		55 to 64		65 and above	
	Persons	In %	Persons	In %	Persons	In %	Persons	In %	Persons	In %
Employed / Emp. to pop. ratio (a)	1 653 765	66.3	1 379 553	83.6	1 404 320	90.3	358 404	86.1	271 982	71.5
+ Unemployed / Unemp. rate (b)	302 701	15.5*	154 065	10.0*	57 629	3.9*	9 928	2.7*	4 511	1.6*
= Labour force / LF part. rate (a)	1 956 466	78.4	1 533 618	92.9	1 461 949	94.0	368 332	88.5	276 493	72.6
+ Outside labour force (a,c)	539 629	21.6	116 793	7.1	93 169	6.0	47 968	11.5	104 117	27.4
= Total population (a)	2 496 095	100.0	1 650 411	100.0	1 555 118	100.0	416 300	100.0	380 610	100.0

Note: (a) Expressed as percentage of the total population within the age group. (b) and (*) Relaxed definition; expressed as percentage of the labour force within the age group. (c) Includes 4 854 respondents (weighted) whose labour force status could not be established due to missing data and 68 063 (weighted) who were re-classified as homemakers (see Appendix 1).

Source: Zimbabwe 2004 Labour Force Survey, author's calculations.

Another significant finding is the high employment to population ratio for the adult population (i.e. those 25 years old and above). It ranges from 83.6 per cent (25 to 34 years) to 90.3 per cent (35 to 54 years); even among those aged 65 years and above, 71.5 per cent are still working. This corresponds with a low share of those outside the labour force for all age groups between 25 and 64. Table 10 disaggregates some of the statistics already displayed in the previous table by gender. Across all age groups, women show consistently lower employment to population ratios. Overall, there is a gap of 11.7 percentage points between the male employment to population ratio of 84.1 per cent and the female employment to population ratio of 72.4 per cent (see column "all age groups"). The reverse is the case for unemployment rates that are consistently higher for women (with a minor exception for those aged 65 years and above). Female youth (15 to 24 years) and young women (aged 25 to 34 years) are by far the worst affected, as reflected in unemployment rates of 19.5 and 14.2 per cent respectively. This holds true despite the lower labour force participation rates for women (i.e. a lower propensity of women to join the labour force).

Table 10: Labour force participation rate, employment to population ratio and unemployment rate by age group and gender, 2004 (%)

	Age group					All age groups
	15 to 24	25 to 34	35 to 54	55 to 64	65+	
Employment to population ratio (a)	66.3	83.6	90.3	86.1	71.5	78.0
Male employment to population ratio (a)	72.9	91.8	94.7	89.2	76.1	84.1
Female employment to population ratio (a)	60.1	75.8	86.4	83.3	66.7	72.4
Unemployment rate (b)	15.5	10.0	3.9	2.7	1.6	9.4
Male unemployment rate (b)	11.5	6.1	2.7	2.2	2.5	6.7
Female unemployment rate (b)	19.5	14.2	5.2	3.1	0.6	12.2
Labour force participation rate (a)	78.4	92.9	94.0	88.5	72.6	86.1
Male labour force participation rate (a)	82.4	97.7	97.3	91.3	78.1	90.1
Female labour force participation rate (a)	74.7	88.3	91.1	86.0	67.2	82.4

Note: (a) Expressed as percentage of the total population within the age group. (b) Expressed as percentage of the labour force within the age group. Source: Zimbabwe 2004 Labour Force Survey, author's calculations.

²⁴ See the report *Youth: Pathways to decent work* that was submitted to the International Labour Conference, 93rd Session, 2005 for a general assessment (ILO, 2005b) and the background paper for the Youth Employment Conference for the Southern African Sub-Region (Harare, October 2005) for a detailed discussion of youth employment in the southern African context.

The high labour force participation rates indicate that few adults choose to stay economically inactive. Table 11 lists the sub-groups for those outside the labour force, along with the inactivity rates for the respective groups. The largest single group of the economically inactive population consists of students (36.7 per cent), followed by homemakers (35.5 per cent). Again, the statistics show marked gender differences: 48.4 per cent of economically inactive women are homemakers, compared to only 10.7 per cent of men. Disaggregating by age groups, being a student is an important reason for youth not to join the labour force (59.8 per cent), while health reasons and incapacity to work due to age become more prevalent among the older age groups.

Table 11: Working age population outside the labour force, 2004 (%)

Sub-groups of inactive population	Age group					Gender		Total
	15 to 24	25 to 34	35 to 54	55 to 64	65+	Male	Female	
Student	59.8	4.6	3.1	0.0	0.0	55.2	27.2	36.7
Homemaker (a)	31.9	67.6	50.2	28.5	8.3	10.7	48.4	35.5
Retired with pension	0.0	0.0	2.7	13.1	10.0	4.8	0.8	2.1
Retired without pension	0.0	0.0	0.5	8.5	6.2	2.2	0.7	1.2
Ill/sick/too old	2.4	17.9	31.6	40.3	70.3	18.9	16.4	17.3
Other	3.0	7.5	9.2	4.8	2.9	5.7	3.6	4.3
Not stated / LF status unclear	2.8	2.4	2.7	4.9	2.3	2.6	2.9	2.8
Total inactive population	100.0	100.0	100.0	100.0	100.0	100.0	100.0	100.0
Memo: inactivity rate	21.6	7.1	6.0	11.5	27.4	9.9	17.6	13.9

Note: (a) Includes 68 063 persons re-classified as homemakers. Source: Zimbabwe 2004 Labour Force Survey, author's calculations.

The 2004 Labour Force Survey did not collect any information that would allow specifying the nature of the health impediments that prevented respondents from being in the labour force. However, there is consensus that HIV/Aids have a major impact on the working age population in Zimbabwe. In addition to the human suffering, HIV/Aids have also negative effects on small and medium enterprises, such as increased absenteeism and productivity losses (see ILO et al., 2007). Table 12 presents the most recent data on HIV prevalence in Zimbabwe, based on the 2005-06 Demographic and Health Survey. In the course of the survey, some 12 800 respondents were (anonymously) tested for HIV; 21.1 per cent of women and 14.5 per cent of men tested HIV positive, giving rise to an overall prevalence rate of 18.1 per cent. The lowest infection rates are found in the two youngest age groups, and the highest among the core adult age groups. Prevalence rates exceed one quarter for women between 25 and 44 years and for men between the age of 30 and 49 years.

Table 12: HIV prevalence rates among Zimbabwe's working age population, 2005-06

Age group	Female		Male		Total	
	Percentage HIV positive	Sample size	Percentage HIV positive	Sample size	Percentage HIV positive	Sample size
15 to 19 years	6.2	1 682	3.1	1 692	4.6	3 375
20 to 24 years	16.3	1 518	5.8	1 247	11.6	2 765
25 to 29 years	28.8	1 150	13.1	907	21.9	2 057
30 to 34 years	35.4	955	29.5	716	32.9	1 671
35 to 39 years	34.5	656	32.1	546	33.4	1 201
40 to 44 years	25.7	529	32.9	404	28.9	934
45 to 49 years	18.0	458	26.0	335	21.4	793
50 to 54 years	n/a	n/a	20.0	253	20.0	253
Total aged 15 to 49 years	21.1	6 947	14.5	5 848	18.1	12 796

Source: Zimbabwe Demographic and Health Survey 2005-06 (CSO 2006).

Differences along the lines of age and gender are also apparent with respect to the status in employment (see also Elias, 2000). As can be seen in Table 13, some 29.0 per cent of all employed men are permanent paid employees, a status that usually comes with some security in terms of income and tenure, but only 11.9 per cent of employed women fall into this category. Further, those in the middle age groups (25 to 34 years and 35 to 54 years) have disproportionate access to permanent paid employment. By contrast, a disproportionate share of women (43.6 per cent vs. 24.8 per cent for men) are communal and resettlement farmers, a category that also accounts for the largest share among older workers. Among youth, the largest group (57.8 per cent) are unpaid family workers.

Table 13: Status in employment by age group and gender, 2004 (%)

Status in employment	Age group					Gender		Total
	15 to 24	25 to 34	35 to 54	55 to 64	65+	Male	Female	
Paid employee (permanent)	11.7	28.2	28.2	16.2	6.0	29.0	11.9	20.8
Paid employee (casual/ temporary/ contract/ seasonal)	9.2	10.4	5.4	3.1	2.4	9.2	6.1	7.7
Employer	0.1	0.3	0.5	0.3	0.3	0.5	0.1	0.3
Own-account worker (communal & resettlement farmer)	12.1	29.3	46.1	69.0	79.3	24.8	43.6	33.9
Own-account worker (other)	9.1	19.7	15.6	8.1	7.4	12.6	14.7	13.6
Unpaid family worker	57.8	12.0	4.1	3.4	4.6	23.9	23.6	23.7
Not stated	0.0	0.1	0.0	0.0	0.0	0.0	0.1	0.0
Total employed persons	100.0	100.0	100.0	100.0	100.0	100.0	100.0	100.0

Source: Zimbabwe 2004 Labour Force Survey, author's calculations.

The breakdown by economic activity according to the International Standard Industrial Classification of All Economic Activities (ISIC), Revision 2 (1968), shows a similar picture (see Table 14). Women and older workers as well as youth are most likely to be engaged in agriculture, while sectors such as mining and quarrying, manufacturing and construction are dominated by men and the middle age groups. With almost two-thirds of employment, agriculture is by far the largest employer in Zimbabwe, followed by "Community, Social and Personal Services" with 18.1 per cent. However, one abnormality with respect to this tabulation category needs to be highlighted: a closer analysis of the sub-sectors (not tabulated) revealed that category "Personal services not elsewhere classified" (ISIC Rev. 2 code 9599) was frequently used and, on its own, accounted for 7.5 per cent of all questionnaire entries.

Table 14: Type of economic activity (ISIC Rev. 2) by age group and gender, 2004 (%)

Economic activity (ISIC Rev. 2)	Age group					Gender		Total
	15 to 24	25 to 34	35 to 54	55 to 64	65+	Male	Female	
Agriculture, Hunting, Forestry and Fishing	76.3	50.3	58.9	78.8	89.1	58.8	72.2	65.3
Mining and Quarrying	1.3	2.5	2.1	1.2	0.2	3.0	0.5	1.8
Manufacturing	3.1	8.4	7.3	4.5	1.7	7.8	3.5	5.7
Electricity, Gas and Water	0.2	0.2	0.3	0.3	0.0	0.4	0.1	0.2
Construction	1.1	2.6	1.7	1.1	1.0	2.9	0.4	1.7
Trade, Restaurants and Hotels	3.5	5.9	4.4	1.7	0.6	4.5	3.8	4.1
Transport, Storage and Communication	0.9	3.4	2.7	1.2	0.5	3.7	0.4	2.1
Financing, Insurance, Real Estate and Business Services	0.6	1.5	1.1	0.7	0.0	1.2	0.7	1.0
Community, Social and Personal Services	12.9	25.2	21.4	10.3	6.9	17.7	18.5	18.1
Total employed persons	100.0	100.0	100.0	100.0	100.0	100.0	100.0	100.0

Source: Zimbabwe 2004 Labour Force Survey, author's calculations.

The frequent use of ISIC code 9599 is unusual since it is intended as a residual category for personal services that are not explicitly listed in the ISIC Rev. 2. These include crematories and cemetery upkeep, porter services, shoe shine stands and – more importantly – prostitution.²⁵ Consultation of the original questionnaires held by the CSO revealed that the original questionnaire entries read “soup vending”, “cooking oil vending”, “vegetable selling”, “clothes vending” (all of which should have been classified under trade, restaurants and hotels) or “construction building (painting)” (that should have been listed under construction). The prevalence of ISIC Rev. 2 code 9599 thus largely reflects coding errors (rather than a high incidence of prostitution in Zimbabwe). As a result, the tabulation category “Community, Social and Personal Services” is significantly inflated and the breakdown of economic activities is biased against other services categories, such as trade, hotels and restaurants.

b. Analysis of the employed population by enterprise-based concept of informality

One of the findings of the preceding section was that the number of employed persons rose from 4.1 million in 1993 to 5.1 million in 2004. However, the CSO’s data derived from the regular enterprise surveys indicate that formal sector employment actually declined over the same period. Hence, the substantial rise in employment must be due to an expansion of employment in the informal sector and households. This puts the decline of unemployment into perspective: apparently, it does not reflect employment creation in the formal sector. As was argued in Section II.a., employment outside the formal sector is often survivalist in nature as people have no other option but to work, even if returns are meagre. Communal agriculture, in particular, plays a dominant role in Zimbabwe since the country’s economy is largely agriculture-based and the majority of the population lives in the rural areas. According to the 2002 Population Census, 55.6 per cent of the population resided in communal lands and resettlement areas, and a further 9.8 per cent on commercial farms (see CSO, 2004b: 20).²⁶

However, it was also acknowledged that jobs in the informal sector and in households need not always be inferior to formal sector employment. The three different types of production units will be distinguished in the current section by applying the enterprise-based concept of informality to the LFS data. This is done on the basis of the definition endorsed by the ICLS in 1993 (see Section II.b.). However, while this definition is in principle accepted and applied around the world, there is nonetheless some national variation (which, in part, is due to different application of the optional criteria of the ICLS definition). In Zimbabwe, the CSO has – for the purpose of its regular establishment surveys – defined formal sector employment as employment in all companies, regardless of size, that are registered with the Registrar of Companies, as well as all local and central government entities (see CSO, 2004a: 2). This is in line with the operationalization proposed by the ICLS, namely to regard all establishments registered under national legislation as formal.

²⁵ The official explanatory note on code 9599 (ISIC Rev. 2, 1968) in the UN’s Classification Registry avoids the explicit mentioning of prostitution and uses polite language, speaking of “turkish baths”, “massage parlours” and “social escort services”. The CSO plans to phase out the use of ISIC Rev. 2 and to use ISCI Rev. 4 once the final version of this revision becomes available.

²⁶ This compares to only 34.4 per cent of the population in urban areas (urban council areas, administrative centres, growth points, and other urban areas); the remainder to 100 per cent is accounted for some minor categories.

Statistics for informal sector employment were published by the CSO in its report on the 2004 LFS. In that report,

“[...] a production unit was considered to be in the informal sector if it is private in the institutional sector, neither registered nor licensed and employs less than 10 employees. Households employing paid domestic workers and those involved in communal farming were excluded from the informal sector enterprises.” (CSO, 2005a: 80).

The requirement to be private in institutional sector (hence excluding government and parastatals) is in line with the ICLS definition and consistent with the inclusion of all government entities in the formal sector as per the establishment survey series. However, while the application of a size threshold is covered by the ICLS definition, the exclusion enterprises that are licensed (but not registered) from the scope of the informal sector definition is unconventional. If the definition of the formal sector is to be retained, both elements pose a problem in the current context: enterprises that are merely licensed would fall neither into the formal nor the informal sector (nor into the ‘households’ category). The exclusion of enterprises with ten or more employees from the informal sector would, similarly, leave some larger unregistered enterprises outside the classification.

In order to attribute all production units to one (and only one) type of production unit, the current report thus employs the following criteria:

- *Formal sector enterprises:* Employment in all production units that are registered or registered and licensed, as well as in all international organisations, local and central government units and parastatals.²⁷
- *Informal sector enterprises:* Employment in all other production units, i.e. all those that are not registered and are not local and central government or parastatals, with the exception of households employing paid domestic workers and those involved in communal farming.
- *Households:* All domestic workers in private homes and all communal and resettlement farmers, and all those outside the formal sector who stated agriculture or paid domestic service as their main activity.²⁸

This operationalization is in line with the ICLS definition as laid out in Section II.b. and provides for a mutually exclusive attribution of all workers to one type of production unit (see Table 15).²⁹ Compared to the definition applied by the CSO, the informal sector is more broadly defined since it includes enterprises that are licensed but not registered and unregistered enterprises with ten or more employees. However, this has only a minor impact on the overall results: where the CSO counted 680 594 workers in the informal sector, the result obtained here is 711 007 workers (a difference of only 30 000). With 3.2 million workers, the households are by far the most important employer, reflecting the importance of communal farming that was already highlighted above.

²⁷ This corresponds to (Question 28 = category 1 or 4), plus (Q24 = 9600) and (Q25 = 2; 3; 4).

²⁸ This corresponds to (Q22 = 517) and (Q21 = 4), and all those outside the formal sector with (Q24 = 1110 or 9530).

²⁹ As the classification is based on several different questionnaire items, and some inconsistencies might exist between answers, some minor re-classifications became necessary. For example, all own-account workers (communal and resettlement farmer) were attributed to households (even when they stated to be registered). Due to missing information, some 4 870 employed persons (weighted) could not be attributed.

Table 15: Employed population by type of production unit, 2004

Production unit	Persons	%
Formal sector enterprises	1 201 596	23.7
Informal sector enterprises	711 007	14.0
Households	3 155 421	62.3
Total employed population	5 068 024	100.0

Source: Zimbabwe 2004 Labour Force Survey, author's calculations.

The data further suggest that a total of 1 201 596 workers are employed in the formal sector. The plausibility of this result can be compared to the estimate for formal sector employment as derived by the CSO on the basis of its quarterly enterprise surveys. Unfortunately, the complete series ends in December 2002 when a total of 992 400 workers were employed in the formal sector (excluding paid domestic workers; see CSO, 2004: 29). The CSO has, however, published the results from its enterprise surveys outside agriculture for June 2004, when non-agricultural formal sector employment stood at 804 200 (again excluding paid domestic workers). Even if one makes the (unrealistic) assumption that formal sector employment in agriculture (i.e. mainly on large-scale commercial farms) remained constant between December 2002 and June 2004,³⁰ this would put total formal sector employment at only 998 000 workers in June 2004 on the basis of the enterprise surveys.

It is not unusual that statistics from different sources and collected under different methodologies produce different results, which is why they should be used complementarily rather than interchangeably (see Hussmanns et al., 1990: 4f.; Hussmanns, 2007). One factor could be that the series based on establishment surveys provides a lower estimate of formal sector employment, owing to gaps in the establishment register maintained by the CSO (see Ncube, 2000; Pember, 2003). Nonetheless, the discrepancy of roughly 200 000 in the estimate of formal sector employment provided the stimulus to scrutinize the attribution of workers to the formal sector in the LFS dataset. This revealed a substantial number of workers with unusual characteristics for the formal sector: 16 739 work in an enterprise located “On a footpath/street or open space”, 26 704 in an enterprise located in their own home, and 57 010 in enterprises with zero employees. Nonetheless, it is possible that these are genuine formal sector workers – i.e. working as wage employees at a flea market stand whose owner has registered her or his business. Another possible explanation is that some respondents stated in error that their enterprise was registered (which, subsequently, led to their inclusion in the formal sector).³¹ It seems

³⁰ Employment in formal sector agricultural enterprises stood at 193 800 in December 2002. This is likely to have further declined until June 2004, given that more white-owned large-scale commercial farms were expropriated for resettlement purposes under the country's controversial land reform programme. Also, while December is typically the beginning of the rainy season, agricultural activity is usually lower during June (i.e. in winter).

³¹ As the Survey on Informal Employment has shown, the current question on registration and licence status is prone to misunderstandings (see Luebker, 2008). Respondents frequently misunderstood it as referring to their own registration, with some respondents volunteering to show their national registration card. Similarly, when asked whether they had a licence, it was sometimes understood as referring to a driver's licence (rather than a trade licence, etc.). The interviewers thus had to specify what they meant by registration and licence. This ambiguity could be avoided in future surveys by asking whether a respondent or her/his enterprise is “registered with the Registrar of Companies” or has a “trade licence”, etc. For the LFSs, the CSO confirmed that its permanent enumerators are aware that registration and licensing refer to establishments (rather than individual persons) and that the enumerators are required to probe in case of doubt.

thus possible that the figure of 1.2 million formal sector workers is a high estimate and includes some that actually work in the informal sector. However, since this could not be established beyond doubt for individual workers, the original classification was maintained.

c. Analysis of employed population by job-based concept of informality

While defining informality on the basis of the production unit (or enterprise) provides one perspective on informality, the job-based concept offers a complementary approach to informality. As detailed in Section II.b. above, it is meant to distinguish those jobs that are covered by the rights and benefits that come with a formal employment relationship, such as social security and the entitlement to paid annual and sick leave, from those where these provisions – in law or in practice – do not apply. The operationalization of the job-based concept of informality, as set out by the ICLS in 2003, builds on the informal sector framework and combines it with status in employment (ISCE-1993) and, in the case of employees, other variables (see ICLS, 2003, and Hussmanns, 2004).

Table 16: Matrix of employed population by type of production unit and status in employment, 2004 (number of persons and in % of employed population)

Number of persons	Own-account worker		Employer		Contributing family worker	Employees (a)		Total
	Informal	Formal	Informal	Formal		Informal	Formal	
Formal sector enterprises		61 279		10 566	18 598	259 042	851 064	1 200 549
Informal sector enterprises	566 359		2 047		48 251	40 039	53 319	710 015
Households	1 778 886				1 135 998	237 706	0	3 152 590
Total	2 345 245	61 279	2 047	10 566	1 202 847	536 787	904 383	5 063 154

In % of employed population	Own-account worker		Employer		Contributing family worker	Employees (a)		Total
	Informal	Formal	Informal	Formal		Informal	Formal	
Formal sector enterprises		1.2		0.2	0.4	5.1	16.8	23.7
Informal sector enterprises	11.2		0.0		1.0	0.8	1.1	14.0
Households	35.1				22.4	4.7	0.0	62.3
Total	46.3	1.2	0.0	0.2	23.8	10.6	17.9	100.0

Notes: (a) As a proxy, all permanent employees were classified as formal. (b) Cells that are excluded by definition are shaded grey. However, in accordance with the survey data, the classification of unpaid family workers in households (mainly communal agriculture) was maintained. (c) A total of 4 870 employed persons could not be classified in the above matrix since at least one piece of information was missing. The total given for the employed population (5 063 154) is therefore marginally lower than in the previous tables. For definitions see Table 1.

Source: Zimbabwe 2004 Labour Force Survey, author's calculations.

Table 16 uses the matrix along these two dimensions that is already familiar from Section II.b. (see Table 1 above) to classify the respondents of the 2004 LFS.³² Whereas the grouping of own-account workers, employers and unpaid family workers follows from the characteristics of the production unit, a proxy was used to distinguish between formal and informal employees: all paid employees (permanent) were classified as formal employees, and all paid employees (casual/temporary/contract/seasonal) as informal. As

³² Since the LFS questionnaire did not include the ICSE category “Members of producers’ cooperatives”, this category is left out. Although the ICLS (2003) definition does not provide for unpaid family workers in the household sector (which it would classify as own-account workers), the original classifications were left unchanged to maintain consistency with the previous tabulations.

argued above, the use of this proxy is likely to result in a lower estimate of informal employees since few casual, temporary, contract and seasonal employees will be covered by paid annual leave, paid sick leave *and* a pension scheme (as the full operationalization would require), but a number of permanent employees will lack at least one of the three benefits (and should thus, under the full operationalization, be classified as informal workers). This, and the questionable attribution of some own-account workers to the formal sector, means that the estimate for formal employment is likely to be on the high side.

A bias towards formal employment is, however, not entirely unwelcome since it also means that the estimate for informal employment is conservative. The simplified matrix, as found in Table 17, thus provides a lower bound for total informal employment at 4 086 926 persons or 80.7 per cent of total employment (rather than exaggerating the extent of informal employment). Conversely, some 19.3 per cent of the total employed population (or 976 228 workers) hold formal jobs. The matrix also reveals that a substantial number of jobs in the formal sector – some 277 640 out of 1 200 549 jobs (or 23.1 per cent) – are informal in nature, whereas only a small number of formal jobs exist in the informal sector (53 319 out of 710 015 jobs, or 7.5 per cent). The sum of employment in the informal sector and informal employment outside the informal sector, represented by the grey-shaded areas in Table 17, is equal to 4 140 245 workers or 81.8 per cent of the total (not tabulated); this is sometimes referred to as “employment in the informal economy”.

Table 17: Simplified matrix of informality according to enterprise-based concept and job-based concept (number of persons and in % of employed population)

Number of persons	Job-based concept		Total
	Formal employment	Informal employment	
Enterprise-based concept			
Formal sector enterprises	922 909	277 640	1 200 549
Informal sector enterprises	53 319	656 696	710 015
Households		3 152 590	3 152 590
Total	976 228	4 086 926	5 063 154

In % of employed population	Job-based concept		Total
	Formal employment	Informal employment	
Enterprise-based concept			
Formal sector enterprises	18.2	5.5	23.7
Informal sector enterprises	1.1	13.0	14.0
Households		62.3	62.3
Total	19.3	80.7	100.0

Note: Grey-shaded areas represent the concept “employment in the informal economy”. For definitions see Table 1.

Source: Zimbabwe 2004 Labour Force Survey, author’s calculations.

Whereas the previous tables expressed the different categories as a percentage of the employed population, Table 18 complements this by using the entire labour force as a reference: going by the enterprise-based definition of informality, 21.5 per cent of the total labour force are employed in the formal sector (i.e. 78.5 per cent of the total labour force do not hold a job in the formal sector). Using the job-based concept, 17.4 per cent of the total labour force hold formal jobs and, conversely, 82.6 per cent have either informal jobs or no job at all. That is to say, employment outside the formal sector (69.0 per cent of the labour force) and informal employment (73.0 per cent of the labour force) are of major importance in Zimbabwe. Informality can thus explain why, despite a fall in formal sector employment since 1993, some 90.6 per cent of the Zimbabwean labour force is employed and only 9.4 per cent are unemployed.

Table 18: Summary breakdown of working age population, 2004

	Enterprise-based concept of informality		Job-based concept of informality	
	Persons	In % of labour force	Persons	In % of labour force
Enterprise-based concept of informality				
Employed in formal sector enterprises	1 200 549	21.5		
+ Employed in informal sector enterprises	710 015	12.7		
+ Employed in households	3 152 590	56.3		
Job-based concept of informality				
Formal employment			976 228	17.4
+ Informal employment			4 086 926	73.0
+ Employed, attribution unclear	4 870	0.1	4 870	0.1
= Employed	5 068 024	90.6	5 068 024	90.6
+ Unemployed (relaxed definition)	528 836	9.4	528 836	9.4
= Labour force	5 596 860	100.0	5 596 860	100.0

Note: For definitions see Table 1.

Source: Zimbabwe 2004 Labour Force Survey, author's calculations.

d. Informality, gender and age

Informality often has an important gender dimension, with men generally enjoying privileged access to formal employment (see ILO, 2002b). Previous research from Zimbabwe has highlighted the dominance of women in micro and small enterprises, many of which are informal (McPherson, 1991 and 1998), and documented the increasingly difficult working conditions of women informal traders (Mupedziswa and Gumbo, 2001). The results from the 2004 Labour Force Survey also show an uneven gender distribution: going by either concept of informality, men account for nearly three-quarters of employment in the formal sector and of formal jobs. Conversely, women hold the majority of informal jobs and dominate the informal sector and employment in households (see Table 19). This is consistent with the observation that women are often responsible for tasks such as tilling the land. Gender inequality in the Zimbabwean labour market is thus not only evident from higher unemployment rates among women (see Table 10 above), but also from the type of jobs women have access to.

Table 19: Gender distribution of employed persons by enterprise-based and job-based concept of informality (%)

	Enterprise-based concept of informality			Job-based concept of informality		Total employed persons
	Formal sector enterprises	Informal sector enterprises	Households	Formal employment	Informal employment	
Male	72.7	48.7	44.5	73.8	46.6	51.8
Female	27.3	51.3	55.5	26.2	53.4	48.2
Total	100.0	100.0	100.0	100.0	100.0	100.0

Source: Zimbabwe 2004 Labour Force Survey, author's calculations.

Differences in access to formal employment, although less pronounced, also exist with respect to age: young people aged between 15 and 24 years account for almost a third of all workers, but only for 19.8 per cent of those employed in the formal sector and for only 14.3 per cent of those with a formal job (see Table 20). Conversely, the 25 to 34 years and 35 to 54 years age groups are over-represented in the formal sector (38.0

and 35.7 per cent, respectively) and also provide a disproportionate share of the formally employed (38.5 and 40.3 per cent, respectively). Older workers are over-represented in the households and in informal employment.

Table 20: Age distribution of employed persons by enterprise-based and job-based concept of informality (%)

	Enterprise-based concept of informality			Job-based concept of informality		Total employed persons
	Formal sector enterprises	Informal sector enterprises	Households	Formal employment	Informal employment	
15 to 24 years	19.8	27.5	38.7	14.3	37.0	32.7
25 to 34 years	38.0	40.3	20.2	38.5	24.5	27.2
35 to 54 years	35.7	27.0	24.8	40.3	24.7	27.7
55 to 64 years	5.0	3.3	8.7	5.6	7.4	7.1
65 years and above	1.4	2.0	7.6	1.3	6.3	5.4
Total	100.0	100.0	100.0	100.0	100.0	100.0

Source: Zimbabwe 2004 Labour Force Survey, author's calculations.

e. Contribution of different economic sectors to employment

Table 21 provides a breakdown of employment by branch of economic activity, based on the International Standard Industrial Classification (ISIC, Revision 2).³³ Employment in households consists predominantly of communal farmers whose main activity is agriculture (96.9 per cent) and of paid domestic workers in private households that are classified in the ISIC category “Community, social and personal services” (2.8 per cent).³⁴ Agriculture is also an important source of formal sector employment (19.7 per cent) but only to a lesser degree of formal jobs (12.9 per cent), reflecting the use of seasonal and casual labour by large-scale commercial farms. There is also a small percentage of workers in the informal sector (1.9 per cent) who are engaged in the non-agricultural activities that are tabulated together with agriculture, i.e. hunting and fishing. The large share of agriculture in total employment (65.3 per cent) is consistent with the fact that, in 2002, some 55.6 per cent of the Zimbabwean population live in communal lands and resettlement areas and a further 9.8 per cent on commercial farms. By contrast, only 34.4 per cent of the population lives in urban areas (CSO, 2004b: 20).³⁵

Manufacturing as well as the category “Wholesale and retail trade and restaurants and hotels” play an important role both in the formal and the informal sector, and as a source of formal jobs. The precise contribution of trade and hospitality services to employment in the informal sector is, however, difficult to assess on the basis of the data presented here. As discussed above, activities such as “soup vending”, “cooking oil vending”, “vegetable

³³ For sake of brevity, this table only presents percentages. However, absolute numbers of employed persons by branch of economic activity can be found in Appendix 2 that also differentiates by gender.

³⁴ The small fractions of 0.1 per cent in manufacturing and construction are due to communal and resettlement farmers whose main activity was coded as manufacturing or construction, i.e. production of non-agricultural goods (incl. Construction of own houses) for own final use.

³⁵ Urban areas include urban council areas, administrative centres, growth points and other urban areas. The remainder to 100 per cent is made up of minor categories.

selling” and “clothes vending” were incorrectly coded as “Personal services not elsewhere classified” (ISIC Rev. 2 code 9599), rather than as part of “Wholesale and retail trade and restaurants and hotels”. The code 9599 was used for 48.6 per cent of all workers in the informal sector, inflating the category “Community, social and personal services” to 58.8 per cent. This makes it difficult to draw an accurate picture of the type of activities informal sector workers are engaged in, but the casual inspection of the original questionnaires indicates that informal trade indeed plays a dominant role.

Table 21: Employed persons by branch of economic activity and enterprise-based or job-based concept of informality (%)

Branch of economic activity (ISIC Rev. 2)	Enterprise-based concept of informality			Job-based concept of informality		Total employed persons
	Formal sector enterprises	Informal sector enterprises	Households	Formal employment	Informal employment	
Agriculture, Hunting, Forestry and Fishing	19.7	1.9	96.9	12.9	77.8	65.3
Mining and Quarrying	4.9	4.6	0.0	5.3	1.0	1.8
Manufacturing	15.2	14.7	0.1	14.8	3.6	5.7
Electricity, Gas and Water	0.8	0.3	0.0	0.8	0.1	0.2
Construction	3.1	6.4	0.1	2.8	1.4	1.7
Wholesale and Retail Trade and Restaurants and Hotels	11.1	10.6	0.0	12.3	2.2	4.1
Transport, Storage and Communication	7.5	2.3	0.0	8.3	0.6	2.1
Financing, Insurance, Real Estate and Business Serv.	3.8	0.4	0.0	4.1	0.2	1.0
Community, Social and Personal Services	34.1	58.8	2.8	38.5	13.2	18.1
Total	100.0	100.0	100.0	100.0	100.0	100.0

Source: Zimbabwe 2004 Labour Force Survey, author's calculations.

f. **Formality and informality in agricultural and non-agricultural activities**

While the preceding section has analyzed the distribution of employment across branches of economic activity, another perspective to analyze the data is to consider how much of the total employment in each branch is formal or informal, and into which type of production unit it falls. A full tabulation is found in Appendix 2, and Table 22 below presents a simplified summary by distinguishing between agriculture (ISIC Rev. 2 category 1, hence incl. fishing and forestry) and non-agricultural activities (i.e. all other ISIC categories). The data show a large disparity between these two broad categories: some 96.2 per cent of all agricultural workers hold informal jobs, while in non-agricultural activities the distribution between formal jobs (48.3 per cent) and informal jobs (51.7 per cent) is almost even. Using the enterprise-based concept of informality, agriculture is dominated by households (92.5 per cent), while non-agricultural employment is mainly based in formal sector enterprises (54.8 per cent) and in informal enterprises (39.6 per cent), but less frequently in households (5.5 per cent). Again, the data show large gender disparities, with men having a far greater share in formal sector employment (enterprise-based concept) and formal employment (job-based concept) both in agriculture and non-agricultural activities.

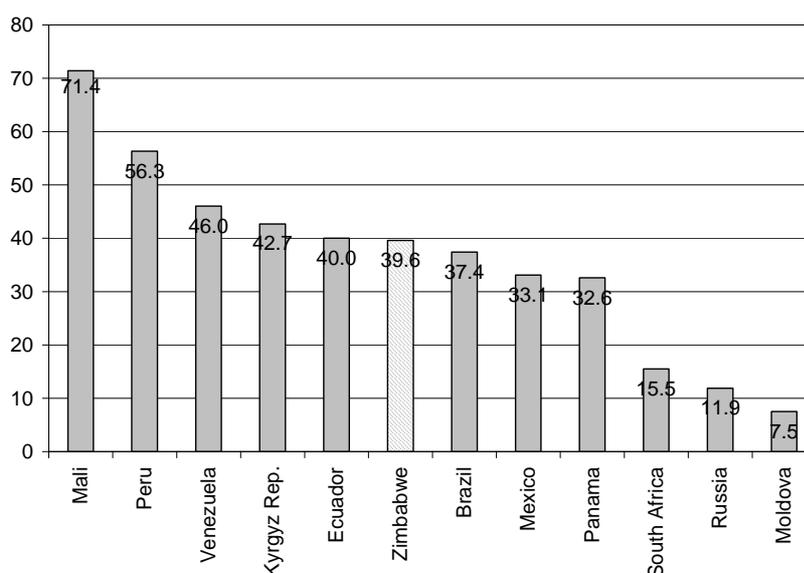
Table 22: Employed persons by agricultural and non-agricultural activity and enterprise-based or job-based concept of informality (row percentages)

Branch of economic activity (ISIC Rev. 2) (simplified)	Enterprise-based concept of informality			Job-based concept of informality	
	Formal sector enterprises	Informal sector enterprises	Households	Formal employment	Informal employment
Female and male respondents, row percentages					
Agriculture, Hunting, Forestry and Fishing	7.1	0.4	92.5	3.8	96.2
Non-agricultural branches of economic activity	54.8	39.6	5.5	48.3	51.7
Female respondents, row percentages					
Agriculture, Hunting, Forestry and Fishing	4.1	0.3	95.6	1.5	98.5
Non-agricultural branches of economic activity	37.7	53.1	9.2	33.9	66.1
Male respondents, row percentages					
Agriculture, Hunting, Forestry and Fishing	10.6	0.6	88.8	6.5	93.5
Non-agricultural branches of economic activity	65.5	31.2	3.3	57.3	42.7

Source: Zimbabwe 2004 Labour Force Survey, author's calculations.

The data in Table 22 also provide a basis to put Zimbabwe into the context of other developing and transitional countries where statistics on informality refer to non-agricultural employment only (see the discussion in the introduction, Section II.b.vii.). Figure 6 uses the enterprise-based concept and displays the share of employment in the informal sector as a percentage of total non-agricultural employment for Zimbabwe and eleven other countries. The extremes are marked by Mali with the highest informal sector employment (74.4 per cent) and Moldova with the lowest (7.5 per cent). With 39.6 per cent, Zimbabwe falls between these extremes and has roughly the same share of informal sector employment as Ecuador (40.0 per cent) and Brazil (37.4 per cent). By comparison, the informal sector is a far smaller employer in South Africa (15.5 per cent).

Figure 6: Employment in the informal sector as share of total non-agricultural employment, ca. 2004 (%)

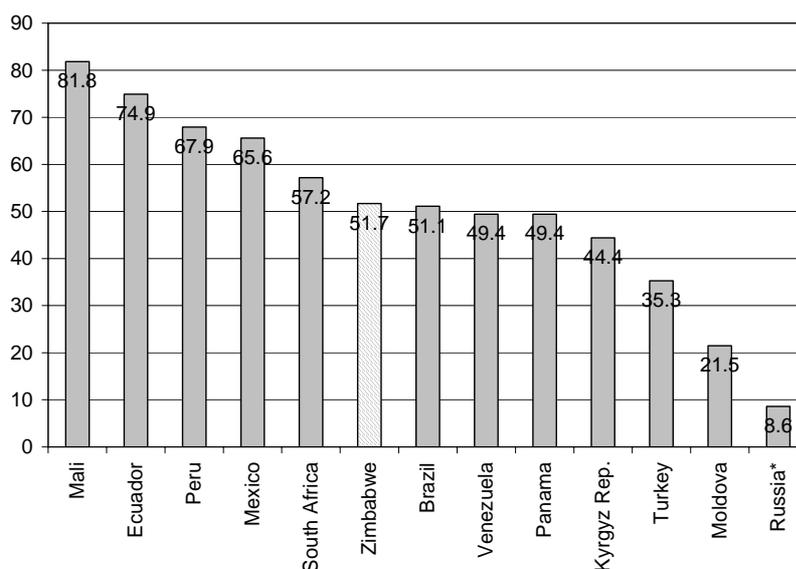


Notes: All figures refer to employment outside agriculture. Primary data sources are as follows, Brazil: ILO estimates based on official data from various sources; Mali, South Africa: ILO estimates computed from labour force survey micro data. Other countries: labour force survey data.

Source: ILO Bureau of Statistics and Zimbabwe 2004 Labour Force Survey, author's calculations.

When the job-based concept of informality is used, Zimbabwe again falls into the middle of the range and, with 51.7 per cent, shows a share of informal employment that is very similar to those found in Brazil, Venezuela and Panama. By comparison, South Africa (57.2 per cent) has a higher share of informal employment. This is explained by the fact that, although South Africa has a large formal sector, many jobs generated by it are informal jobs (see Heintz, forthcoming). However, while these comparisons are useful to show that informality is a phenomenon that can be observed around the world (see also Xaba et al., 2002), it should be kept in mind that these statistics are not suitable as a summary indicator of labour market conditions or job quality and therefore cannot be used for purposes such as ranking countries.

Figure 7: Informal employment as share of total non-agricultural employment, ca. 2004 (%)



Notes: All figures refer to employment outside agriculture. Primary data sources are as follows, Brazil: ILO estimates based on official data from various sources; Mali, South Africa: ILO estimates computed from labour force survey micro data. Other countries: labour force survey data. (*) De jure informal jobs.

Source: ILO Bureau of Statistics and Zimbabwe 2004 Labour Force Survey, author's calculations.

g. Summary: Employment, unemployment and informality in Zimbabwe

The preceding chapter has analyzed the data of the 2004 Labour Force Survey on the basis of the labour force framework to gain information on access to employment. It was argued that in Zimbabwe, like in many other African countries, labour under-utilization does not take the form of open unemployment. This is due to the fact that the majority of those who cannot find employment in the formal sector cannot afford to stay unemployed – and thus in most cases without any income – for a prolonged period of time. They are thus forced to take up employment in the informal sector or in households (including communal farming) to gain some source of livelihood, even when returns are meagre. Thus, as Peek and Dewan (2007) argue, “standard employment/unemployment indicators are poor estimates of labour market tightness in developing countries” (see also Section II.b. above). Zimbabwe is no exception to this, and open unemployment rates have remained low despite job losses in the formal sector since the onset of the current economic crisis.

- The relaxed ICLS definition of unemployment classifies all those as unemployed who are: (a) without work (i.e. those who have not done any work for at least one hour during the last week, and where not only temporarily absent from work); and are (b) currently available for work. Using this concept, Zimbabwe had an unemployment rate of 9.4 per cent in June 2004. This finding is in line with the

data published by the CSO (2005) and is typical for a developing country that lacks a comprehensive income-support system.

- Young people fall into the category of the most severely affected by unemployment: out of the total of 530 000 unemployed persons in June 2004, no fewer than 300 000 were aged between 15 and 24 years. The youth unemployment rate of 15.5 per cent is thus significantly higher than the overall unemployment rate. Women are more frequently affected than men, leading to a female unemployment rate of 12.2 per cent vs. a male unemployment rate of only 6.7 per cent. Consequently, young women aged between 15 and 24 are worst hit by unemployment (19.5 per cent).

To go beyond the broad classification of employment vs. unemployment, the concept of informality offers a supplementary perspective on labour markets. By distinguishing between formal and informal, it provides information about the nature of employment. It can be measured on the basis of two distinct, but related definitions: (i) the traditional enterprise-based definition that groups employment into three types of production units, the formal sector, the informal sector and households; and (ii) the more recent job-based definition that differentiates between formal and informal employment on the basis of job attributes (rather than enterprise characteristics). Both concepts have been applied to the 2004 Labour Force Survey. The main findings of this analysis are:

- Of those who are employed (defined as carrying out an economic activity for at least one hour over the last seven days, or being only temporarily absent from work), some 23.7 per cent worked in the formal sector, 14.0 per cent in the informal sector and 62.3 per cent in households. When the job-based concept of informality is used, only 19.3 per cent of all workers hold a formal job and 80.7 per cent held an informal job. The difference between the two figures is due to the fact that some formal sector workers did not hold a permanent job, but were informally employed as casual or temporary workers.
- There are large gender differences in access to formal sector employment and formal employment: Almost three quarters (72.7 per cent) of all workers in the formal sector were male, and an equally large share (73.8 per cent) of all formal jobs were held by men. Conversely, women were over-represented in informal employment and dominate the informal sector and employment in households.
- Consistent with the fact that more than half of the Zimbabwean population live in rural areas, agriculture is by far the most important employer in Zimbabwe: in 2004, it accounted for nearly two thirds of all jobs (65.3 per cent). Agricultural employment is predominantly informal, and some 77.8 of all informal workers worked in agriculture (compared to only 12.9 per cent of formal workers). Formal employment is predominantly found in manufacturing and in services (particularly in community, social and personal services).

In sum, the informal sector and the households (that include communal agriculture) are an important source of employment in Zimbabwe. This insight can shed light on what at first appears to be a “paradox” in Zimbabwe’s employment and unemployment statistics: for the period between 1993 and 2004, the CSO’s data show a decline in unemployment and an increase of the employed population by one million (using the 1993 and 2004 LFS as a benchmark). This is a counter-intuitive development, given that the Zimbabwean economy stagnated during most of the 1990s and that per capita output fell dramatically after 1998, leading to a decline in formal sector employment as recorded in the CSO’s establishment surveys (see Section II.c.). In this situation, the informal sector and households provided the “missing jobs” as people were forced to take up some kind of informal work. The reverse conclusion is that, were it not for the jobs in the informal sector and in households, open unemployment would be much higher in Zimbabwe.

IV. Decent work and job quality: Characteristics of informal and formal workers

The preceding section has shown that informal employment is an important source of employment in Zimbabwe: it is crucial to avoid open unemployment and to provide some source of livelihood in difficult circumstances. Were it not for the informal sector and informal forms of employment outside the informal sector, unemployment rates would be much higher. However, this contribution to employment should not entail “romanticising” the informal sector (Mhone, 1996). The downside of employment in the informal economy is that it is often characterized by harsh working conditions, low productivity and low incomes – and thus leaves many workers and their families trapped in poverty (see ILC, 2002). Informality is thus often merely a short-term survival mechanism, and not the kind of productive employment under decent working conditions that policy makers strive for.

The decent work concept embraces the multidimensionality of what makes for a good job: decent work is productive and delivers a fair income, security in the workplace and social protection for families as well as allowing people to express their concerns, organize and participate in the decisions that affect their lives. The complexity of the concept inevitably makes it hard to measure decent work, but many aspects are already covered by current labour force surveys (Anker et al., 2003). The Zimbabwean LFS is a good example for this as it contains indicators for three aspects of decent work: adequate earnings and productive work; decent hours; and safe work environment. However, other dimension of decent work – notably on social dialogue and workplace relations and on social protection – are not yet covered by the Zimbabwean labour force survey (as is the case in many other countries). Nonetheless, the data currently available allow a good insight into job characteristics.

The current chapter will discuss these job attributes and differentiate them by the enterprise-based and the jobs-bases concept of informality. This allows comparing working conditions in the formal and informal economy. The chapter start by outlining some basic workplace characteristics – registration and licence status, establishment size, and its location – then goes into the educational background of workers and the skill-intensity of the tasks they perform. It then discusses working hours, incomes derived from work and occupational health and safety. The main findings are summarized in the concluding section.

a. Establishment characteristics

The labour force survey recorded establishment characteristics only for private production units. Hence, data on registration and licence status, size in terms of employment, and physical location excludes government and parastatals for which this information is less relevant.³⁶ Table 23 provides an overview of the registration and licence status. Owing to the definition of the formal sector, all formal sector employment is in registered and licensed enterprises (91.6 per cent) or in registered enterprises (8.4 per cent). Conversely, informal sector employment is confined to non-registered enterprises, but some 11.8 per cent of informal sector workers work in licensed enterprises, either with or without premises (7.6 and 4.2 per cent, respectively). With few exceptions³⁷, all household production units are neither registered nor licensed.

³⁶ Presumably, government entities and parastatals are (as far as applicable) all registered, located in a permanent building, and will for the most part employ ten or more people.

³⁷ These can occur e.g. when a communal farmer stated that he or she held a licence or registration (see footnote 28 above for the possible ambiguity of the licence and registration question).

Table 23: Employed persons in private establishments by registration and licence status of the establishment and enterprise-based or job-based concept of informality (%)

Registration and licence status of establishment	Enterprise-based concept of informality			Job-based concept of informality		Total
	Formal sector enterprises	Informal sector enterprises	Households	Formal employment	Informal employment	
Registered and licensed	91.6	0.0	0.0	86.4	4.8	16.6
Registered only	8.4	0.0	0.1	7.7	0.5	1.6
Licensed only with premises	0.0	7.6	1.0	2.3	1.7	1.8
Licensed only without premises	0.0	4.2	0.0	0.5	0.6	0.6
Neither registered nor licensed	0.0	85.3	9.4	2.7	21.4	18.7
Not stated / missing	0.0	3.9	89.6	0.4	70.9	60.8
Total	100.0	100.0	100.0	100.0	100.0	100.0

Note: Question 28 (Registration and licence status) was only asked for respondents working in private establishments, i.e. excluding central and local government, parastatals, co-operatives, NGOs and others.

Source: Zimbabwe 2004 Labour Force Survey, author's calculations.

Table 24: Employed persons in private establishments by size of the establishment and enterprise-based or job-based concept of informality (%)

Number of employees	Enterprise-based concept of informality			Job-based concept of informality		Total
	Formal sector enterprises	Informal sector enterprises	Households	Formal employment	Informal employment	
Zero	6.7	75.6	62.6	7.0	61.6	41.7
1 to 4	7.9	19.3	25.4	10.4	18.0	15.3
5 to 9	5.4	1.9	3.4	6.1	2.4	3.8
10 or more	79.8	2.8	8.5	76.1	17.7	38.9
Not stated	0.2	0.5	0.1	0.3	0.2	0.3
Total	100.0	100.0	100.0	100.0	100.0	100.0

Note: Question 27 (Number of employees) was only asked for respondents working in private establishments, i.e. excluding central and local government, parastatals, co-operatives, NGOs and others.

Source: Zimbabwe 2004 Labour Force Survey, author's calculations.

Table 25: Employed persons by location of the establishment and enterprise-based or job-based concept of informality (%)

Location of establishment	Enterprise-based concept of informality			Job-based concept of informality		Total
	Formal sector enterprises	Informal sector enterprises	Households	Formal employment	Informal employment	
On a footpath/street/open space	2.0	10.0	0.9	2.4	2.4	2.4
At a market	0.3	6.9	0.1	0.4	1.2	1.1
In (name's) home	3.1	28.9	5.4	3.3	9.2	8.4
In someone else's home	1.6	3.8	2.3	2.2	2.4	2.4
In another permanent building/fixed location	90.6	29.8	90.7	88.7	80.7	81.8
No fixed location	2.1	20.3	0.6	2.6	3.9	3.7
Other / Not stated	0.3	0.4	0.1	0.4	0.1	0.2
Total	100.0	100.0	100.0	100.0	100.0	100.0

Source: Zimbabwe 2004 Labour Force Survey, author's calculations.

An equally plausible picture emerges with respect to the establishment size in terms of the number of employees (Table 24). Formal sector employment is predominantly in establishments with ten or more employees (79.8 per cent), while most informal sector workers are in enterprises that have either no employee at all (75.6 per cent) or between one and four employees only (19.3 per cent). Only a small minority of informal sector workers (2.8 per cent) are based in larger enterprises with ten or more employees.³⁸ Similarly, household production units are predominantly small (62.6 per cent of all workers fall in the category of zero employees, and another 25.4 per cent into the category of one to four employees). However, 8.5 per cent report that they work in households with ten or more employees. While not impossible, it is hard to conceive a household with such a large number of employees (in the sense of paid domestic workers). The more likely explanation for this is that respondents (most of whom were interviewed in Shona or Ndebele) understood the question as referring to “workers” (hence including unpaid family workers), thereby missing the subtle difference between the English terms “employee” and “worker”.³⁹ When the job-based concept of informality is used, the picture remains unchanged: formal employment is predominantly in large establishments, informal employment in small units.

Finally, Table 25 gives details on enterprise location. In the formal sector, the large majority work “in another permanent building/fixed location” (90.6 per cent). However, other workers attributed to the formal sector report that their workplace is on a footpath, street or an open space (2.0 per cent) or has no fixed location (2.1 per cent). As discussed above, it is uncertain whether these are genuine formal sector establishments, or whether the respondents stated in error that they worked for a registered company. In the informal sector, precarious workplaces such as on a footpath, street or open space (10.0 per cent) or the lack of a fixed location (20.3 per cent) are far more common. A large share of informal sector workers also operates from home (28.9 per cent). Homes and other permanent buildings/fixed locations, are also dominant for workers in households.

b. Education and skills

Zimbabwe rapidly expanded its educational system after independence and had, by the early 1990s, achieved school enrolment rates far above the African average.⁴⁰ However, the education system has often been criticized for preparing students for white-collar jobs in the formal sector, and failing to equip them with technical and entrepreneurial skills. Although Zimbabwe also has a large network of vocational training providers, their capacity fell far short of training needs in the late 1990s (see Haan, 2001: 141ff. for an overview). School leavers are thus often ill-prepared to enter self-employment in the informal sector when they fail to find paid employment in the formal sector.

³⁸ This explains why the use of a size threshold, as possible under the ICLS (1993) definition of the informal sector, has, in the case of Zimbabwe, only a negligible impact on the measured size of the informal sector.

³⁹ For future labour force surveys, it might be useful to revise the question “How many employees work in this establishment?” and to specify whether it refers to “paid employees” or to “workers”.

⁴⁰ In 1991, the gross primary school enrolment rate was 71.3 per cent in sub-Saharan Africa, but 106.7 per cent in Zimbabwe (see World Development Indicators, World Bank, 2008). The gross enrolment rate expresses the number of students attending primary school as a percentage of children of primary school age. When students outside this the normal primary school age attend primary school, the number students enrolled in a primary school can be larger than the number of children in the relevant age group, resulting in a gross enrolment rate in excess of 100 per cent.

Table 26: Employed persons by skills distribution and enterprise-based or job-based concept of informality (%)

	Enterprise-based concept of informality			Job-based concept of informality		Total
	Formal sector enterprises	Informal sector enterprises	Households	Formal employment	Informal employment	
Professional	19.5	2.4	0.2	23.8	0.6	5.1
Skilled	23.1	13.7	1.6	27.0	3.9	8.4
Semi-skilled	18.2	12.8	2.3	18.7	4.9	7.5
Unskilled	38.0	70.4	95.8	29.6	90.2	78.5
Not known/not stated	1.2	0.8	0.1	1.0	0.3	0.5
Total	100.0	100.0	100.0	100.0	100.0	100.0

Source: Zimbabwe 2004 Labour Force Survey, author's calculations.

Table 27: Employed persons by highest level of completed education and enterprise-based or job-based concept of informality (%)

Highest level of completed education	Enterprise-based concept of informality			Job-based concept of informality		Total
	Formal sector enterprises	Informal sector enterprises	Households	Formal employment	Informal employment	
None	2.6	2.0	9.6	1.8	8.1	6.9
Grade 1 to 7	18.7	24.4	49.0	16.2	43.6	38.3
Form 1 to 4	49.5	62.2	39.3	48.1	44.2	44.9
Form 5 to 6	3.5	1.5	0.6	3.4	0.9	1.4
Diploma/Certificate after primary school	1.7	1.0	0.4	2.1	0.5	0.8
Diploma/Certificate after secondary school	19.8	8.2	0.9	23.3	2.4	6.4
Graduate/Postgraduate	4.0	0.7	0.1	4.9	0.2	1.1
Not Stated	0.2	0.1	0.2	0.2	0.2	0.2
Total	100.0	100.0	100.0	100.0	100.0	100.0

Source: Zimbabwe 2004 Labour Force Survey, author's calculations.

The 2004 Labour Force Survey shows that a relatively large share of workers in the formal sector holds either professional (19.5 per cent) or skilled (23.1 per cent) positions. By contrast, 70.4 per cent of all workers in the informal sector and 95.8 per cent of those employed in households carry out tasks that fall into the unskilled category. The contrast becomes even more apparent when the job-based concept of informality is applied: more than half of all formal workers hold either professional (23.8 per cent) or skilled jobs (27.0 per cent), whereas 90.2 per cent of all informal workers perform unskilled tasks.

While Table 27 shows that formal sector workers have generally higher educational attainments – 19.8 per cent have obtained a diploma or certificate after secondary school and a further 4.0 per cent hold graduate or postgraduate degrees –, the informal sector shows a mismatch between the largely unskilled work and the educational background of workers: 63.7 per cent have attended secondary school, and a further 8.2 per cent have obtained a diploma or certificate after secondary school or even a graduate or postgraduate degree (0.7 per cent). It is thus safe to conclude that many workers in the informal sector perform work that falls far short of their educational background and that their potential remains under-utilized. The most pressing training needs revealed in earlier research included the upgrade of technical skills (80 per cent of informal sector entrepreneurs) and better business management (63 per cent) (see Siddiqui and Nyagura, 1993).

c. Working hours

Under- as well as over-utilization of labour also becomes evident from the data on working time; it takes the form of both time-related underemployment and excessive hours of work. Excessive hours are defined as working time in excess of 48 hours per week, reflecting the 48-hour limits in the ILO's Hours of Work Conventions, 1919 (No. 1) and 1930 (No. 30). They are a concern because they tend to be unhealthy and unproductive, as well as family-unfriendly. The underlying cause for excessive hours of work is often poverty, as workers put in more hours in a desperate attempt to raise their incomes. A recent ILO study estimated that 22.0 per cent of the global workforce work more than 48 hours per week. However, there is great diversity with few workers in Europe working excessive hours (5.3 per cent in Norway) and a significant number in East Asia (49.5 per cent in the Republic of Korea; see Lee et al., 2007: 45ff.).

Table 28: Employed persons by hours actually worked during the reference week and enterprise-based or job-based concept of informality (%)

	Enterprise-based concept of informality			Job-based concept of informality		Total
	Formal sector enterprises	Informal sector enterprises	Households	Formal employment	Informal employment	
Zero hours (a)	2.4	5.3	3.0	2.6	3.3	3.2
1 to 19 hours	1.8	9.7	14.6	1.4	13.2	10.9
20 to 39 hours	5.6	16.0	25.8	4.9	23.2	19.6
40 to 48 hours	37.1	18.4	15.1	38.6	16.5	20.8
49 hours and more	53.1	50.5	41.5	52.6	43.8	45.5
Total	100.0	100.0	100.0	100.0	100.0	100.0

Note: (a) Zero hours of work during the recall period (the last 7 days) can occur when a person usually works, but happened to be absent from work last week because of leave, sickness, bad weather, industrial disputes or other reasons, and was thus categorized as employed.

Source: Zimbabwe 2004 Labour Force Survey, author's calculations.

In Zimbabwe, 45.5 per cent of all workers work excessive hours, which puts the country among those with the highest incident (Table 28). The share of workers who work more than 48 hours per week is above average in the formal sector (53.1 per cent), 50.5 per cent in the informal sector, and still considerable in households (41.5 per cent). The breakdown by the job-based concept of informality shows that a higher share of those in formal employment (52.6 per cent) works excessive hours than those in informal employment (43.8 per cent). While employment in the formal sector is, to a large extent, on a full-time basis, short hours of work are more prevalent in the informal sector. Here, 9.7 per cent worked between 1 and 19 hours, and a further 16.0 per cent between 20 and 39 hours. In addition, 5.3 per cent of those employed in the informal sector did no work at all in the preceding seven days.⁴¹ Short hours of work in the informal sector are, to some degree, involuntary: 22.9 per cent of workers in the informal sector reported that they would have wanted to work more hours during the past seven days, but failed to do so for various reasons (not tabulated).⁴² The lack of business or the inability to find more work was the most important reason given by respondents (54.1 per cent), followed by the lack of finance or raw materials (17.2 per cent).

⁴¹ Zero hour of work during the recall period (the last 7 days) can occur when a person usually works, but happened to be absent from work in the previous week because of leave, sickness, bad weather, industrial disputes or other reasons, and was thus categorized as employed.

⁴² This compares to 10.0 per cent of workers in the formal sector and 15.3 per cent in households.

Table 29: Employed persons by hours of work in employment and unpaid domestic work by gender (%)

Hours of work	Employment			Unpaid domestic work (b)		
	Male	Female	Both	Male	Female	Both
Zero hours (a)	2.7	3.6	3.2	42.9	5.0	24.7
1 to 19 hours	9.8	12.1	10.9	40.3	26.6	33.7
20 to 39 hours	16.3	23.2	19.6	14.2	52.1	32.5
40 to 48 hours	22.5	18.8	20.8	1.3	8.5	4.8
49 hours and more	48.6	42.3	45.5	1.2	7.8	4.3
Total	100.0	100.0	100.0	100.0	100.0	100.0

Note: (a) Zero hours of work during the recall period (the last 7 days) can occur when a person usually works, but happened to be absent from work last week because of leave, sickness, bad weather, industrial disputes or other reasons, and was thus categorized as employed.

(b) The question asked was "In the last 7 days, how many hours did [name] spend in unpaid housekeeping & other home duties for own household, including washing clothes, cleaning house, shopping, cooking, caring for the children & the sick?"

Source: Zimbabwe 2004 Labour Force Survey, author's calculations.

Another explanation for the longer working time in the formal sector is that this is a male-dominated sector. As seen in Table 29, men generally work longer hours in employment than women: 48.6 per cent of men but only 42.3 of women worked excessive hours, while only 9.8 per cent of men but 12.1 per cent of women worked 1 to 19 hours. This is in line with findings from other countries that showed a similar gender gap in working time (see Lee et al., 2007). However, the picture changes once unpaid domestic work (such as unpaid housekeeping and caring for children and the sick) is taken into account (Table 28). Here, men tend to contribute either no hours (42.9 per cent) or between 1 and 19 hours (40.3 per cent), while the majority of women spend 20 or more hours per week on unpaid domestic work (the total for the categories above 20 hours is 68.4 per cent). Leaving domestic duties largely to female household members, Zimbabwean men can thus spend more time in employment than women. However, the overall work-burden appears to be much greater for women.

d. Income

Underemployment – in the sense of involuntarily short hours – and unemployment are two measures that disclose insufficient volume of work. However, as the ILO's manual on employment, unemployment and underemployment argues, they fall short of providing a comprehensive summary indicator of the labour market situation:

"The limitation of [these] concepts [...] as social indicators becomes evident, for example in the situation of persons who, though fully employed in terms of hours, have low earnings and seek extra work, or in the situation of self-employed persons, where the lack of demand may result in low intensity of work and low income rather than a reduction of time worked." (Husmanns et al., 1990: 147).

Insufficient income derived from work is thus another form of employment inadequacy, and the International Conference of Labour Statisticians (ICLS) recommended in its 1982 resolution to compile data on income from employment and household income. The stated purpose is "(a) analysing the income-generating capacity of different economic activities and (b) identifying the number and characteristics of persons who are unable to maintain their economic well-being on the basis of the employment opportunities available to them" (ICLS, 1982: Art. 23). Recently, the latter aspect was highlighted in research on the "working poor" who, despite being at work, are unable to generate sufficient income to meet the basic needs of themselves and their families (see Majid, 2001).

The demands this poses on data collection are relatively high: for example, to serve the first purpose, income needs to be attributed to a particular activity and needs to refer to the same reference period so that volume of work and returns from work can be put into relation. For the second purpose, data analysis is complicated by the fact that an individual's well-being does not only depend on her or his own income, but also on the family context (e.g. the number of dependents and the income of other household members). Thus, one needs complete data on the exact income (in cash or in kind) of all household members through employment, from transfers or as returns from property (Husmanns et al., 1990: Chapter 8). This demands complex questionnaires that are relatively difficult to administer.

The 2004 Labour Force Survey did not contain a detailed module on household income, but instead asked respondents to classify the cash income they received from work over the last month into one of eight categories (Table 30). Since the survey was carried out between 1 and 21 June 2004, incomes refer to May 2004. Some caution needs to be applied when interpreting the results: income data refer to cash incomes derived from work only and thus exclude income in kind (such as agricultural produce for own consumption) and any transfer income (such as pensions or support received from family members). Further, survey responses on income are known to be unreliable as respondents sometimes understate their actual incomes.⁴³ However, the reported cash incomes are the best available indicator for incomes. For the convenience of the reader, the figures in Zimbabwe Dollar are converted into US Dollar, using the auction exchange rate of ZW\$ 5 330 per US\$ 1 that remained relatively stable throughout May 2004.⁴⁴

Table 30: Employed persons by classes of cash income for the work done in the past month by enterprise-based or job-based concept of informality (%)

Monthly cash income in ZW\$	Enterprise-based concept of informality			Job-based concept of informality		Total
	Formal sector enterprises	Informal sector enterprises	Households	Formal employment	Informal employment	
Under \$ 50 000 (under US\$ 9)	5.0	18.3	70.0	2.6	58.1	47.4
\$ 50 001 - \$ 100 000 (US\$ 9 - 19)	11.4	16.3	10.6	8.0	12.4	11.6
\$ 100 001 - \$ 200 000 (US\$ 19 - 37)	13.2	18.7	3.9	11.8	7.3	8.2
\$ 200 001 - \$ 600 000 (US\$ 37 - 113)	38.1	26.0	4.0	39.5	9.4	15.2
\$ 600 001 - \$ 1 000 000 (US\$ 112 - 188)	16.6	10.2	1.3	20.1	2.9	6.2
\$ 1 000 001 - \$ 2 000 000 (US\$ 187 - 375)	9.3	4.3	1.0	11.2	1.6	3.4
\$ 2 000 001 - \$ 3 000 000 (US\$ 374 - 563)	2.1	1.6	0.4	2.6	0.5	0.9
\$ 3 000 001 & above (US\$ 563 & above)	3.1	0.9	0.5	3.6	0.6	1.2
No work done (a)	1.2	3.7	8.3	0.5	7.3	6.0
Total	100.0	100.0	100.0	100.0	100.0	100.0
Memo: \$ 200 000 or less (incl. no work done)	30.8	57.0	92.8	22.9	85.1	73.2
Memo: \$ 1 000 001 and above	14.5	6.8	1.9	17.4	2.7	5.5

Note: (a) "No work done" during the recall period (the last month) can e.g. occur when a person usually works, but happened to be absent from work last month because of leave, sickness, bad weather, industrial disputes or other reasons, and was thus categorized as employed; or when a person was not working during the past month (re-call period for income) but during the past week (re-call period for labour force status).

Source: Zimbabwe 2004 Labour Force Survey, author's calculations.

⁴³ This holds true for Zimbabwe; CSO officials expressed reservations about the reliability of cash income data and pointed out the problem of under-reporting (personal communication).

⁴⁴ See <http://www.rbz.co.zw/publications/currency%20exchange.asp> for the RBZ' archive of foreign currency auction results. At the time, the black market premium on the auction rate was only small and month-on-month inflation ran at only 6 per cent. The auction rate thus reflected supply and demand for foreign currency better than the official exchange rate of W\$ 230 per US\$ 1.

Almost half of all respondents (47.4 per cent) reported cash incomes under ZW\$ 50 000 (or US\$ 9) and a further 6.0 per cent reported not to have done any work during the last month (although they were currently classified as employed) and hence received no income.⁴⁵ This means that the majority of workers received ZW\$ 1 613 or less (US\$ 0.30 or less) per day in cash income. The high share of respondents with very low cash incomes is mainly due to persons employed in households. These are dominated by communal farming, where an important part of the returns from work accrue in kind (i.e. in the form of a harvest for own consumption). It is also partly driven by the practise to attribute the entire cash incomes of communal farmers to the household head, rather than proportionately to all contributing family members.⁴⁶ This, however, also means that many workers in households who fall into this category actually have zero cash incomes (rather than incomes just below ZW\$ 50 000). These low incomes are not offset by a greater share in the higher income categories, all of which lie below average for employment in households. A consumption measure would allow assessing whether workers in communal farming and their families are better or worse off than those in the informal and formal sectors. While the 2004 Labour Force Survey does not contain such a measure, findings from the CSO's 2005-06 Demographic and Health Survey indicate that food consumption in rural areas falls short of that in urban areas (that are dominated by the informal and formal sectors). The proportion of malnourished children under the age of five is consistently higher in rural areas: going by the height-for-age ratio (which proxies the cumulative effect of chronic malnutrition), some 31.2 per cent of children in the rural areas are malnourished, compared to 23.8 per cent in urban areas (see CSO, 2006: 18f.). Thus it is warranted to conclude that overall consumption is lower for those employed in households, and that income in kind does not compensate for the lack of cash income.

For workers in the formal and informal sectors, cash incomes are generally by far the most important income component.⁴⁷ It is apparent from Table 29 that workers in the formal sector have, on average, significantly higher incomes than those in the informal sector: for the bottom three categories, the share of workers in the informal sector is higher, while the reverse holds true for the higher income categories. Top incomes of more than ZW\$ 3 million (US\$ 563 and above) are almost exclusively reached in the formal sector, where some 3.1 per cent of workers fall into this category (compared to 0.9 per cent in the informal sector and 0.5 per cent in households). The difference is even starker when the job-based concept of informality is used. This reflects the fact that casual and temporary workers in the formal sector (i.e. those with the lowest incomes) are now counted as informally employed and, more importantly, that workers in communal agriculture are included in informal employment. The share of those with formal employment that falls into the two lowest categories is only 2.6 and 8.0 per cent, compared to 58.1 and 12.4 for the informally employed. Looking at high incomes, 3.6 per cent of those in formal employment fall into the top income group (compared to 0.6 per cent of the informally employed).

⁴⁵ "No work done" during the recall period (the last month) can e.g. occur when a person usually works, but was temporarily absent from work, and was thus categorized as employed; or when a person was not working during the past month (re-call period for income) but was employed during the past week (re-call period for labour force status).

⁴⁶ Personal communication with employment statisticians at the CSO.

⁴⁷ Exceptions would include the free use of an official residence, the provision of a car for personal use or the access to free or subsidized petrol. However, such benefits typically only come with positions that provide an income that falls into the top income category, regardless of whether income in kind is considered or not.

There is thus no substance in newspaper reports that denounce the informal sector as “illegal underground activities” and allege that workers in the informal sector are making excess profits. Quite the contrary, poverty appears to be a harsh reality in the informal sector. Unfortunately, it is not possible to calculate a precise number of workers who would fall into the category of the “working poor” since the data requirements outlined above are not met. Nonetheless, the Total Consumption Poverty Datum Line (PDL) that is published by the CSO (2006) provides a useful guide as to what would constitute an adequate income to maintain economic well-being and thus be deemed non-poor. By this measure, a family of five needed ZW\$ 1 154 394 per month in May 2004 to meet their basic necessities (or US\$ 217). This is equivalent to ZW\$ 230 900 (or US\$ 43) per family member per month, or to ZW\$ 7 570 (or US\$ 1.42) per capita per day. This is similar to the international “1 dollar per day” poverty line that is often used to define absolute poverty. However, the latter actually refers to US\$ 1.08 in 1993 prices, and thus more using 2004 prices, adjusted for differences in purchasing power (see Chen and Ravallion, 2007).

The bottommost line of Table 30 lists the share of those with cash incomes above ZW\$ 1 million (i.e. a threshold just below the PDL). As can be seen, only 5.5 per cent of all workers could support a typical family from their reported cash incomes alone. The share is particularly low among household workers (1.9 per cent), but still minuscule in the informal sector (6.8 per cent). A somewhat higher proportion would be able to support a family among formal sector workers (14.6 per cent) and especially among those in formal employment (17.4 per cent). However, these calculations do not take into account that most households have more than one income earner. As was shown in Section III.a. above, Zimbabwe had a total population of 10.8 million in June 2004, of which 5.1 million were employed. For every employed person, there was thus on average just over one dependent. This would mean that, by a crude proxy, a minimum income of ZW\$ 461 800 per month (or US\$ 87) would be required to meet a worker’s own needs and those of an additional household member.

Unfortunately, the income threshold of ZW\$ 461 800 falls inside a larger income group (ZW\$ 200 001 to ZW\$ 600 000) and there is thus no easy way to estimate the number of workers whose income falls short of this amount. Instead, Table 29 groups all those with an income of ZW\$ 200 000 or less as a memorandum item. This gives a crude and conservative (i.e. too low) estimate of those who live in poverty, assuming that they rely on their cash incomes alone and have to support another household member (and do not receive support from other household members). The threshold of ZW\$ 200 000 is just above the minimum amount needed by two persons to meet their minimum calorie intake requirements, assuming that all expenditure is devoted to food.⁴⁸ Those below this threshold can thus be deemed to live in severe deprivation. In total, almost three quarters of all Zimbabwean workers fall below this threshold of ZW\$ 200 000 per month (or US\$ 37). Again, the share is – with 92.8 per cent – the highest for household workers, followed by 57.0 per cent in the informal sector. However, even in the formal sector one in three workers (30.8 per cent) is unable to meet his/her basic needs as well as those of an additional dependent from his/her cash income. The share falls to less than a quarter (22.9 per cent) when the job-based definition of formality is applied, i.e. only those in formal employment are considered. This contrasts with 85.1 per cent of those with informal jobs.

In sum, there is strong evidence that a large proportion of Zimbabwean workers “are unable to maintain their economic well-being on the basis of the employment opportunities available to them” (to use the words of the ICLS). This is particularly the case for those in

⁴⁸ The food poverty datum line (FPD) was ZW\$ 446 465 (US\$ 84) for a family of five in May 2004, or ZW\$ 89 293 (US\$ 17) for a single person and ZW\$ 178 586 (US\$ 34) for a single person with one dependant (CSO, 2006).

the informal sector and in households (although the role of income in kind is difficult to assess for the latter) and more generally for those with informal jobs. Put in the context of the preceding discussion, this means that insufficient income – rather than open unemployment or underemployment – is the main manifestation of inadequate employment opportunities in Zimbabwe.

e. Occupational health and safety

Inadequate employment can also manifest itself in hazardous and unhealthy working conditions. Research carried out in Zimbabwe in the late 1990s indicated that workers in the informal sector and in communal agriculture are particularly at risk, owing to poor work organization, poor hygiene, ergonomic hazards, hazardous hand tools, and exposure to chemicals such as solvents and pesticides (Loewenson, 1998). The 2004 LFS included a comprehensive module on occupational health and safety to assess these risks. When asked if any aspect of their work environment was dangerous or harmful to their physical or mental health, 43.7 per cent of all employed persons answered “yes” while 55.6 per cent denied the question (Table 31). The curious finding is that just over 45 per cent of all workers currently in the formal sector and households identified dangerous aspects in their work environment, but only 33.5 per cent of those in the informal sector. The most common of these hazards were mechanical and physical, followed by chemical and biological threats (Table 32).

Table 31: Employed persons by self-assessed occupational health and safety hazards and enterprise-based or job-based concept of informality (%)

Self-assessed occupational health and safety hazards	Enterprise-based concept of informality			Job-based concept of informality		Total
	Formal sector enterprises	Informal sector enterprises	Households	Formal employment	Informal employment	
Yes	45.6	33.5	45.3	44.2	43.6	43.7
No	53.7	65.8	54.1	55.0	55.8	55.6
Do not know / not stated	0.7	0.7	0.7	0.8	0.7	0.7
Total	100.0	100.0	100.0	100.0	100.0	100.0

Source: Zimbabwe 2004 Labour Force Survey, author's calculations.

Table 32: Employed persons by most dangerous feature of working environment and enterprise-based or job-based concept of informality (%)

Most dangerous feature of working environment	Enterprise-based concept of informality			Job-based concept of informality		Total
	Formal sector enterprises	Informal sector enterprises	Households	Formal employment	Informal employment	
Mechanical/ physical	57.3	51.4	68.3	56.1	65.6	63.8
Electrical	5.4	3.3	.6	5.6	1.2	2.1
Chemical /biological	19.6	14.5	11.8	21.2	12.3	14.0
Ergonomic	3.9	14.4	9.3	3.5	9.7	8.5
Psycosocial	2.3	0.5	0.1	2.6	0.2	0.7
Lack of personal protective equipment/clothing	7.1	11.7	9.1	6.6	9.4	8.9
Other	4.3	3.9	0.7	4.4	1.3	1.9
Not stated	0.2	0.2	0.2	0.1	0.2	0.2
Total	100.0	100.0	100.0	100.0	100.0	100.0

Source: Zimbabwe 2004 Labour Force Survey, author's calculations.

The low prevalence of self-assessed workplace hazards in the informal sector prompts the question as to whether this reflects better working conditions in the informal sector or whether informal sector workers are less aware of the dangers that their work environment poses to their health. The in-depth study cited above points in the direction of the latter possibility: while just under half of all workers themselves perceived workplace risks, the inspection of their workplaces showed a far higher prevalence of common threats such as exposure to direct sunlight, bending forward and poor workplace organization and hygiene (Loewenson, 1998). The earlier survey also showed that only few workers had personal protective equipment, a finding that is confirmed by the Labour Force Survey. While about half of the workers in the formal sector were using some kind of protective wear (such as helmets, earplugs, or special shoes), 78.9 per cent of those in the informal sector and 80.4 of those in households were not using any (not tabulated).

Table 33: Employed persons by work-related injuries and illness over the past 12 months and enterprise-based or job-based concept of informality (%)

Work-related injuries and illnesses over the last 12 months	Enterprise-based concept of informality (current)			Job-based concept of informality (current)		Total
	Formal sector enterprises	Informal sector enterprises	Households	Formal employment	Informal employment	
Injuries at workplace						
Yes	6.0	5.8	6.4	5.8	6.3	6.2
No	94.0	94.2	93.6	94.2	93.6	93.7
Not Stated	0.0	0.0	0.1	0.0	.1	0.0
Total	100.0	100.0	100.0	100.0	100.0	100.0
Work-related illness						
Yes	6.3	5.7	5.9	6.4	5.9	6.0
No	93.7	94.3	94.0	93.6	94.1	94.0
Not Stated	0.0	0.0	0.1	0.0	0.1	0.1
Total	100.0	100.0	100.0	100.0	100.0	100.0

Note: The survey questions were "Has (name) ever been injured at workplace in the last 12 months?" and "Has (name) ever suffered illness due to the work conditions at any time in the last 12 months?". They thus refer to the last 12 months, while the classification by the enterprise-based and job-based concepts of informality refers to the past week.

Source: Zimbabwe 2004 Labour Force Survey, author's calculations.

The statistics on work-related injuries and illness also do not support the hypothesis that workplaces in the informal sector are superior to those in the formal sector and households. As Table 33 shows, six out of one hundred had a work related accident over the past 12 months, and a similar number suffered from work-related illness. Overall, there is little variation between the types of production units, and neither according to the job-based concept of informality. That the incidence of accidents and illnesses is not higher than in the formal sector could partly be due to the fact that the informal sector has a high proportion of workers in non-hazardous service activities (such as retail), while the formal sector has a higher share of more hazardous activities.

f. Summary: Decent work and job quality

Traditionally, labour statistics have placed great emphasis on measuring the quantity of employment and thus placed overwhelming importance on indicators such as the unemployment rate. However, as has been argued earlier, unemployment rates are insufficient to gain a full understanding of a country's labour market situation since they are not meant to capture the quality of employment. The decent work concept emphasizes these qualitative aspects of employment when it speaks about "opportunities for men and women to obtain decent and productive work in conditions of freedom, equity, security and

human dignity” (ILO, 1999 and 2001). The preceding chapter has analyzed some of these qualitative aspects of employment, namely hours of work, incomes and occupational health and safety, and made use of that data on establishment characteristics and the educational background of workers and the skill-intensity of the task they perform. The analysis drew on the preceding chapter and distinguished workers along the enterprise-based and the job-based concept of informality. Some of the main findings are:

- Some 45.5 per cent of Zimbabwean workers work more than 48 hours per week. Excessive hours of work are particularly wide-spread in the formal sector (48.6 per cent), compared to 42.3 per cent in the informal sector. Long hours of work go hand-in-hand with involuntary underemployment: among informal sector workers, some 22.9 per cent would have wanted to work longer, but were unable to do so – mainly due to lack of business, the difficulties to find more work, or for want of inputs and finance.
- Women generally spend fewer hours in employment; only 42.3 per cent of all women are working more than 48 hours per week (compared to 48.6 per cent for men). However, the picture reverses when unpaid domestic work is taken into account: more than two-thirds of all employed women spend at least 20 hours per week on domestic duties in addition to the time at work, while 42.9 per cent of all employed men did not contribute at all to household duties. Thus, the overall work-burden is much higher for women.
- Cash incomes in the informal sector and households are extremely low, and far lower than those in the formal sector. In May 2004, 57.0 per cent of workers in the informal sector and 92.8 per cent of those working in households earned ZW\$ 200 000 or less per month (then US\$ 37 at the prevailing auction rate). By comparison, only 30.8 per cent of formal sector workers fell into this income group. The contrast becomes even starker when the job-based concept of informality is used: 85.1 per cent of all informal workers fell below the threshold of ZW\$ 200 000, but only 22.9 per cent of formally employed workers.
- While the formal sector offers a relatively high share of professional (19.5) and skilled positions (23.1 per cent), work done in the informal sector is mainly unskilled in nature (70.4 per cent). This is in contrast to the generally good educational background of informal sector workers: 63.7 per cent have attended secondary school (though not necessarily completed it) and a further 8.9 per cent hold a degree or certificate obtained after secondary school. This indicates that many workers perform tasks far below their potential, and that valuable human capital lies idle in the absence of better employment opportunities.

These findings thus provide a more nuanced perspective on the labour market situation than a single indicator such as the unemployment rate. In particular, they offer a better perspective on employment outside the formal sector: while the informal sector and households provide much-needed employment, these jobs often do not support economic well-being. The data collected by the CSO resolutely refute the impression that is sometimes created in the media, namely that the informal sector is a domain of “excess profiteering”. Rather, low incomes, harsh working conditions and poverty are a bitter reality for most informal workers and their families. This shows the unemployment rate as such has little value as a summary indicator of labour market distress. If anything, falling unemployment could be seen – far from being a sign of progress – as an indication of desperation, as workers are left with no choice but to work even for pitiful returns.

V. Policy conclusions: Towards decent work in Zimbabwe's informal economy

The current paper served two main purposes. First, it aimed to clarify the statistical notion of unemployment and pointed out that the unemployment rate is not meant to serve as a summary indicator for the labour market situation. It argued that the employment/unemployment dichotomy does not capture job quality and that other concepts – such as informality – usefully supplement the unemployment rate to gain a better perspective on the adequacy of employment opportunities. Second, it aimed at providing and analyzing some reliable and independently vetted statistics on Zimbabwe's labour market situation. In addition to the figures on employment and unemployment, it applied two concepts of informality and provided some data on job quality.

Behind this lies not only a purely academic interest, but also the rationale to inform the political debate in Zimbabwe, and to aid the ILO's constituents in their quest for adequate policy responses. The present section will thus first provide a brief summary of the main findings⁴⁹, and then discuss some policy options to move towards decent work in Zimbabwe's informal economy.

a. Main findings: Employment and informality

The discussion started with a finding that, at first sight, appeared to be a paradox in Zimbabwean employment statistics: despite a sharp fall in formal sector employment since the late 1990s, unemployment has remained low and stood at only 9.4 per cent in 2004 (using the relaxed definition of unemployment). In other words, more than 90 per cent of Zimbabwe's labour force was considered to be employed under the international definition of employment adopted by the International Conference of Labour Statisticians. This definition treats all economic activity as work, as long as it is performed at least one hour per week. It encompasses both paid employment and self-employment, regardless of whether a person is engaged in the production of goods or services for the market or of goods for own final consumption (see Section II.b.). As the paper has argued, this view is in sharp contrast to the colonial era when only wage employment in the 'white economy' (mines, farms and factories) was recognized as work and the settler government sought to suppress independent African entrepreneurship (see Section II.a.).

However, what follows from this inclusive definition of employment is that the unemployment rate need not be a very informative indicator for a country's overall labour market situation. At times of economic distress, and in the absence of a comprehensive unemployment benefit system, fewer people can afford to remain completely idle and will have to take up some kind of 'income-generating activity' (as non-standard forms of work are often referred to in Zimbabwe). It is thus helpful to go beyond the employment / unemployment dichotomy and to analyze the quality of employment (see Peek and Dewan, 2007). This paper has argued that informality is a useful approach to do so, and introduced two complementary statistical definitions: (i) employment in the informal sector, an enterprise-based concept that distinguishes between different types of production units (formal sector enterprises, informal sector enterprises and household production units); and (ii) informal employment, a job-based concept that distinguishes between informal and formal employment on the basis of job attributes (see Hussmanns, 2004, and Section II.b.).

Both concepts were applied to the 2004 Labour Force Survey. Under the enterprise-based concept, some 1.2 million workers were employed in the formal sector, just over 710 000

⁴⁹ More exhaustive summaries are found at the end of Section III and IV, respectively.

in the informal sector and a further 3.2 million in household production units (most of who were communal and resettlement farmers). When the job-based concept is used, some 975 000 workers held formal jobs and just under 4.1 million had informal jobs (see Section III.b. and III.c.).⁵⁰ Most of these informal jobs were unskilled in nature (90.2 per cent), while more than half of all formal workers filled professional or skilled positions. The cash incomes for informal workers were extremely low⁵¹, and far lower than those of formal workers. This finding also holds when the enterprise-based concept is used. While workers in households (i.e. communal and resettlement farmers and paid domestic employees) have by far the lowest cash incomes, incomes in the informal sector still fall far short of those in the formal sector (see Section IV.d.). The data collected by the CSO thus resolutely refute the impression that is sometimes created in Zimbabwe's media, namely that the informal sector is a domain of "excess profiteering". Rather, low incomes, harsh working conditions and poverty are a bitter reality for most informal workers and their families.

A *Survey on Informal Employment* that was carried out in collaboration with the Department of Geography and Environmental Science at the University of Zimbabwe corroborates these findings. The survey results, published in a separate paper (Luebker, 2008), indicate that only 17.2 per cent of all interviewed labour force participants were unemployed, and that most of the unemployed were youth. While the vast majority of respondents were working, they were mainly holding informal jobs (87.8 per cent) and to a far smaller extent formal jobs (12.2 per cent). The most common activity was retail trade, and in particular street vending. Respondents were also engaged in small-scale manufacturing that includes female-dominated activities such as crocheting and tailoring, and male-dominated activities like the production of furniture and household hardware. Many of those who were interviewed work excessive hours and yet generate incomes that are insufficient to meet even their most basic needs. The survey found no indications that workers enter the informal economy to secure a competitive advantage versus formal sector enterprises. On the contrary, employers and own-account workers who have registered their enterprises (and thus belong to the formal sector) generate higher profits than their informal counterparts.

Further, informal workers are generally excluded from the formal social security system and thus lack adequate protection. And while over a quarter of all formal workers feel represented by the ZCTU and other workers' organizations, only very few informal workers believe that any organization or group expressed their concerns. The problems they consider among the most immediate include the rising cost of inputs due to inflation, low incomes, and the confiscation of goods and fines issued by police. Operation Murambatsvina had a disproportionately negative effect on informal workers, and almost three-quarters stated that it had made their personal work situation worse. By contrast, the subsequent recovery programme Operation Garikai reached only very few informal workers.

Both data sources support the conclusion that informal employment has kept a large number of Zimbabweans at work (and thus helped to keep open unemployment down), but that these jobs are often far from what can be called decent. *Informality is an undesirable form of employment since informal workers generally lack productive employment*

⁵⁰ The difference in the figures for those who are considered 'formal' between the two is largely driven by the fact that some 275 000 workers were employed in the formal sector as casual employees, and thus considered to hold informal jobs.

⁵¹ Some 58.1 per cent of all informal workers had monthly cash incomes equivalent to US\$ 9 or less, and a further 12.4 per cent had monthly cash incomes between US\$ 9 and US\$ 19 (Section IV.d.).

opportunities, cannot exercise their rights at work, are not covered adequate social protection, and have no strong collective representation to voice their concerns. This is in line with the international experience that decent work deficits are generally most severe in the informal economy (ILO, 2002a: 4). However, this does not mean that problems are constrained to the informal economy. Arguably, in Zimbabwe many employees in the formal sector have recently suffered from high and growing inflation that has eroded the purchasing power of their wages.

b. Towards decent work for the informal economy

In short, the challenge for policy-makers in Zimbabwe (and elsewhere) is to reduce informality without hurting informal workers – but rather to help them to improve their working conditions. The tripartite delegations at the 90th International Labour Conference, among them Government, workers and employers from Zimbabwe, therefore concluded:

“To promote decent work, it is necessary to eliminate the negative aspects of informality while at the same time ensuring that opportunities for livelihood and entrepreneurship are not destroyed, and promoting the protection and incorporation of workers and economic units in the informal economy into the mainstream economy.” (ILC, 2002: para. 13).

The conference report suggested a three-prong strategy to achieve this goal: “(i) in the immediate term, give priority to reducing decent work deficits in the informal economy, importantly through ensuring that those who are currently in the informal economy are recognized in the law and have rights, legal and social protection and representation and voice; (ii) in the short and medium term, enable those currently in the informal economy to move upwards along the continuum and at the same time ensure that new jobseekers and potential entrepreneurs are able to enter the more formal, protected and decent parts of the continuum; [...] (iii) in the longer term, create enough employment opportunities that are formal, protected and decent for all workers and employers.” (ILO, 2002a: 5).

How this general strategy can be translated into an actionable agenda will necessarily depend on country-specific circumstances. In Zimbabwe, policy-makers face particular constraints that make many of the standard instruments unviable. For example, conventional micro-credit schemes for informal sector entrepreneurs are unsustainable in a hyperinflationary context; their capital basis would be quickly eroded unless they charge prohibitive interest rates that are excess of inflation (that is currently above 100 000 per cent per year). While free hand-outs to informal sector enterprises (or loans at subsidized interest rates) that are financed through money creation by the Reserve Bank would help some beneficiaries, they would further add to inflation and exacerbate the situation for the large majority of informal workers. Similarly, promoting foreign direct investment – another common policy advice – faces the obstacle that the investment climate in Zimbabwe is perceived as hostile and such efforts are thus not likely to yield any significant employment impact in the short run (see also UNCTAD, 2005).

The debate on policy directions thus needs to keep these constraints in mind, and avoid simply repeating standard policy advice. As argued in the introduction, one purpose of this paper is to inform debate among the ILO’s constituents (rather than to replace it by providing a policy blue-print). Some policy options that emerge from the preceding analysis and the broader international experience that could deserve further examination will be discussed below. While the implementation of some will require efforts over the medium- to long-term, several others could be implemented in the short term. Here, a policy shift could deliver quick results without requiring substantial resources.

As the analysis in this paper has shown, workers have few alternatives to employment in the informal economy when they cannot find a job in the formal sector and cannot afford

to remain unemployed. *Therefore, the informal economy needs to be recognized as a legitimate source of employment and incomes.* A key characteristic of the informal sector workers is that the vast majority of them work in enterprises that do not possess a valid license (see Section IV.b.) or come into conflict with legal requirements for other reasons. The Government of Zimbabwe has in the past often taken issue with this and emphasized that, while it was supportive to the informal sector, it “wants to see an informal sector which operates within the confines of the law” (Government of Zimbabwe, 2005: 8). However, the fact that informal entrepreneurs often operate on the fringes of the law should not be used as a pretext to suppress informal economic activity and the criminalize workers in the informal sector – around 710 000 at the time of the 2004 Labour Force Survey. As the Survey on Informal Employment has shown, the vast majority of them are engaged in legitimate activities (Luebker, 2008). Yet, respondents to the survey frequently reported problems with police, such as the confiscation of goods or fines charged for violating by-laws. The survey also made clear that Operation Murambatsvina had a negative impact on almost three quarters of informal workers, while only a small fraction said that it led to an improvement in working conditions (see Luebker, 2008). In fact, the organized crack-down on informal economic activity is a significant factor to explain deterioration working conditions between 2004 and 2006.

A deliberate strategy of legalization provides a viable alternative to a repressive approach. As the report to the 90th International Labour Conference argues, such a “process of legalization to bring informal workers and enterprises within the legal framework so that they are registered, recognized and protected is essential” (ILO, 2002a: 5f.). This would involve “simplifying the regulations and procedures for doing business, improving the transparent and consistent application of rules and procedures and reducing the transaction costs” (ibid.). In Zimbabwe, this is even more urgent than elsewhere since the country has one of the world’s most complex and cumbersome licensing systems; the World Bank (2007) recently ranked Zimbabwe 172 (out of 178 countries) for the ease of dealing with licences.

Several policy documents adopted over the years by the Government of Zimbabwe have already recognize the need to simplify laws, by-laws and other regulations to enable the informal sector to comply with them to a greater degree. For example, the Government’s *Small, Micro and Medium Enterprise Policy and Strategy Framework* names the simplification of complex regulations and the removal of a multiplicity of bureaucratic requirements as an area for policy reform (cited in MPSLSW and MYDEC, forthcoming). The creation of an enabling legal and regulatory framework by reviewing regulations and by-laws that hinder the development of small, micro and medium enterprises is one of the policy elements proposed in the draft *Zimbabwe National Employment Policy Framework* (MPSLSW and MYDEC, forthcoming).

A starting point for regulatory reform could be the work done by an inter-ministerial Deregulation Committee in the early 1990s that identified numerous regulations and by-laws that hinder small and micro enterprises from the informal sector (see Kanyenze, 2004). Two important elements of a legalization strategy could be:

- *A review of licensing procedures to make it easier for informal entrepreneurs to obtain trade and business licences.* The inter-ministerial Deregulation Committee criticized the wide discretionary powers of city councils in issuing and renewing trade licences and recommended that city councils “should register rather than license informal traders, thus rendering informal trading a right rather than a privilege” (Kanyenze, 2004: p. 21). This approach could be applied to other informal entrepreneurs as well, with the goal of giving them easy and reliable access to licences at a modest cost.

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- *A review of zoning by-laws that stipulate strict separation between residential and commercial areas.* Like in other countries, informal workers often work from home or in its direct proximity (see Section IV.a.). They do so for various reasons (e.g. a shortage of designated work spaces or to combine work with family responsibilities), but in violation of the ban on commercial activities in residential areas. This ban could be relaxed to allow vending, small-scale manufacturing and other activities that do not pose an immediate hazard to a residential neighbourhood.

The building code is another area of frequent conflict between informal entrepreneurs and the law. As one of its main objectives, Operation Murambatsvina sought to remove working and living structures that were erected without planning permission (see Tibaijuka, 2005; Government of Zimbabwe, 2005; Solidarity Peace Trust, 2006; Potts, 2006). As the Survey on Informal Employment has shown, this had a profoundly negative impact on almost three-quarters of all informal workers. The lack of a permanent working structure and insecurity at the workplace were frequently mentioned by informal workers as one of their most pressing problems, and consequently the need for suitable working structure was one of the most common needs expressed by informal workers (Luebker, 2008: Sections II.e. and II.f.). To meet this need, a far larger number of commercial stands and workshops would need to be supplied under Operation Garikai. However, given the resource constraints, an alternative approach would be to simplify the procedure of legally building commercial structures on land already owned by the potential builder.⁵² The re-opening of urban 'flea markets' and the designation of further vending sites in the CBD would also meet the demand expressed by informal traders and contribute towards the legalization of informal activities.

Foreign exchange regulations are another reason why some informal entrepreneurs operate in violation of the law (as, incidentally, do some formal enterprises). This is especially the case for the substantial proportion of informal workers who are either directly or indirectly linked to informal cross-border trade (Luebker, 2008: Section II.e.). In addition to those who work as cross-border traders, others export their products (e.g. crocheted bed-spreads that are in little demand in Zimbabwe) or need to import vital inputs (e.g. car spare parts that are unavailable in Zimbabwe). Without these external links, production in the informal economy would be severely constrained. While special exchange rate arrangements exist for formal sector enterprises, informal entrepreneurs almost inevitably rely on the parallel market. The key reason for the circumvention of the official foreign exchange market is a gross miss-alignment of the official exchange rate: At one time in April 2008, the official exchange rate was ZW\$ 30,000 per US\$ 1, while one US dollar bought more than 30 million Zimbabwean dollars on the parallel market.⁵³ The parallel market could be dried up simply by licensing Foreign Exchange Bureaus that are free to set their own buy-and-sell-rates (as done in all of Zimbabwe's neighbouring countries). This would end the criminalization of informal exporters and importers, given them a fair local currency equivalent for export revenue and access to foreign exchange. At the same time, transactions in Foreign Exchange Bureaus could be taxed with a small levy to generate foreign exchange for the public budget. One step in this direction is the partial flotation of

⁵² To get all the necessary permits to build a warehouse and to connect it to public utility supply, it currently takes 19 separate procedures and a total of 952 days at a cost equal to 11 799 per cent of per capita income; see World Bank (2007).

⁵³ The official exchange rate had remained unadjusted since September 2007, despite high levels of inflation in Zimbabwe (the CPI rose more than 40-fold between September 2007 and January 2008 alone). US\$ are not freely available at the official exchange rate from banks; an exporter who opts to exchange export revenue back into local currency at the rate of ZW\$ 30,000 to the US\$ would only receive 0.1 per cent of the amount he could get on the parallel market.

the Zimbabwean Dollar on the interbank market, and the narrowing gap between the Interbank Exchange Rate and the parallel market rate.⁵⁴ However, foreign exchange remains inaccessible through official channels for most (if not all) informal entrepreneurs.

A comprehensive process of legalization and regulatory reform could reduce the tension between the letter of the law and practice in the informal economy (that is often born out of necessity) and at the same time give informal workers greater security and enable them to defend their rights more effectively. The above named examples are possible elements for such a strategy that show that legalization could be achieved in the relatively short term and need not be resource-intensive (and could actually help the government to generate revenue, e.g. through licence fees or a levy on transaction in Foreign Exchange Bureaus).

While securing the legal position of informal workers would be one major step towards decent work that could be achieved in the short-term, the findings from the 2004 Labour Force Survey and the Survey on Informal Employment (see Luebker, 2008) indicate the need for action in other domains as well. These include: Enhancing rights at work and eliminating the worst forms of child labour; promoting productive employment opportunities through occupational training, entrepreneurial skills development and the provision of working capital; improving social protection in the informal economy through the expansion of existing social protection schemes to the informal economy the creation of new mechanisms; reducing occupational health and safety hazards; and enhancing voice and representation in the informal economy (see also Government of Zimbabwe and ILO, 2006). All interventions should be carried out in a way that supports gender equity and takes into account the special needs of workers with HIV/AIDS (see ILO et al., 2007).

Since the interests of informal workers are best promoted by informal workers themselves, enhancing voice and representation in the informal economy is of particular importance (see ILO, 2002a: 71ff.). As the Survey on Informal Employment has shown, the vast majority of them does currently not know of any organization that voices their concerns – in contrast to formal workers, of whom many feel represented by the ZCTU or another workers' organization (Luebker, 2008: Section III.d.). A prerequisite for the effective organization of informal workers is that Government respects their right to organize. Strengthening existing organizations such as the Zimbabwe Chamber of Informal Economy Associations (ZCIEA)⁵⁵ could be an important step towards extending social dialogue to the informal economy, taking into account the lessons of past attempts to achieve this (see Kanyenze, 2004; see also Goldman, 2003; Lund and Skinner, 2003).

Building on legalization, the formalization of informal enterprises can be a further step to bring them under the reach of the law and to improve working conditions. Research from Zimbabwe indicates that almost three-quarters of all formal sector enterprises have started off in the informal sector, where they grew and eventually 'graduated' into the formal sector (Neshamba, 1997). After entering the formal sector, they also typically expanded their employment and adopted more sophisticated technology and production method that allowed them to become more productive (ibid.). This suggests that the informal sector can be a 'nursery' for formal sector enterprises. By contrast, an approach that tries to suppress the informal sector would weaken the formal sector in the long run by depriving it of dynamic new entrants. To harness this entrepreneurial potential and to foster the transition to formality, a strategy to legalize the informal sector – as outlined above – could make an important contribution. Further, the actual process to register a formal business could be simplified. As the Director-General's report on the Decent Work Agenda in Africa argues,

⁵⁴ See, for example, the Press Statement on foreign exchange trading and the foreign exchange rate by RBZ Governor G. Gono, dated 19 June 2008

⁵⁵ See the flyer published by the ZCIEA (not dated).

“the length of time, the cost and the complexity involved in registering a business deter many entrepreneurs or push them to operate informally, with all the corresponding handicaps” (ILO, 2007a).

Finally, creating more employment opportunities in the formal sector would provide alternatives to employment in the informal sector. Zimbabwe faces the particular challenge of a declining output and shrinking employment in the formal sector (see Section II.c.). As Reserve Bank Governor G. Gono puts it, Zimbabwe has an “unfavourable and difficult business environment” that hampers economic development (Reserve Bank of Zimbabwe, 2008: 65). In the Reserve Bank’s analysis,

“[p]roduction has been constrained by a critical shortage of foreign exchange for the procurement of essential raw materials, equipment and machinery. Frequent power outages, coupled with high production costs are adversely affecting economic activity. Price controls which were instituted in June 2007 adversely affected the viability of manufacturing and distribution sectors of the economy.” (Reserve Bank of Zimbabwe, 2008: 53).

Anecdotal evidence confirms the assessment that price controls, in particular, have made many formal businesses unsustainable and led to employment losses.⁵⁶ The Reserve Bank suggests a “policy framework that removes major pricing distortions in the area of foreign exchange, interest rates, fuel, agricultural inputs and outputs, municipal and parastatals services” while at the same time protecting “the vulnerable poor against the adverse impact of market forces” (ibid.: 60). Indeed, the removal of pricing distortions could make a major contribution towards the restoration of macroeconomic stability, a key pre-condition for the development of sustainable enterprises (ILO, 2007b: 45).

In sum, a good number of options exist to improve the working conditions in the informal economy and to improve the legal position of informal workers. Some of them require only modest resources, such as strategy of legalization that would involve the reform of licensing procedures, zoning by-laws, the building code and foreign exchange regulations. As discussed above, the need for a simplification of the existing legal framework has already been recognized in several policy documents (Government of Zimbabwe and ILO, 2006; MPSLSW and MYDEC, forthcoming). However, while some progress towards facilitating the needs of informal enterprises had been made in the 1990s (e.g. through the opening of people’s markets), Operation Murambatsvina marked a reversal of this approach and is a significant factor to explain a general deterioration of working conditions in the informal economy. While laudable in theory, Operation Garikai has been of to limited scope to reach more than a small fraction of informal workers (Luebker, 2008).

The basic argument this paper has tried to make is that while employment in the informal economy is an undesirable form of employment, workers have few alternatives when they cannot find a job in the formal sector and cannot afford to remain unemployed. Therefore, criminalizing informal activities does not offer a viable solution. What follows from this is that the informal economy – even where it operates on the fringes of the law – needs to be recognized as a legitimate source of employment and incomes, and that all efforts should be made to improve the working conditions and the legal position of informal workers.

⁵⁶ For example, the clothing retailer Edgars is reported to have closed 19 out of its 55 branches due the price controls, leading to the loss of 220 jobs. See *Zimbabwe Independent*, ‘Edgars closes 19 branches’ (14 September 2007). Similarly, the logistics and transport company Pioneer Corporation Africa (PCA) retrenched some 400 employees, and attributed this to the price controls. *Financial Gazette*, ‘Price blitz leaves 400 jobless at PCA’ (11 April 2008).

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Appendix 1: Exclusion of homemakers from the employed population

The production boundary of the International System of National Accounts (SNA 1993) includes all production of goods for own use, but it excludes the production of services for own final consumption within households. The only exceptions are services produced by employing paid domestic staff and the own-account production of housing services by owner occupiers. The preparation of meals, care and training of children, cleaning, undertaking minor repairs and other domestic work is thus no economic activity in the statistical sense when it performed by unpaid household members (although the SNA explicitly recognizes that these activities are “productive in an economic sense”).

One reason for the exclusion of domestic work is that “[i]f the production boundary were extended to include the production of personal and domestic services by members of households for their own final consumption, all persons engaged in such activities would become self-employed, making unemployment virtually impossible by definition.” (SNA 1993: paragraph 1.22). However, the 13th ICLS resolution provides for identifying homemakers as a separate category under the population not usually active (whenever they neither fall into the category of the employed or the unemployed).

In the case of the Zimbabwe 2004 LFS, a total of 188 847 Zimbabweans (weighted) stated as a response to Question 22 that their main tasks or duties in their main job was “Domestic work (private homes)”. However, of these some 30 346 were children aged below 15 years who are not part of the labour force and can thus not be considered employed. Of the remaining 158 323 persons who were classified as employed in the original analysis of the LFS, some displayed a combination of characteristics that makes questionable whether they were indeed paid domestic workers in private homes. These concern three areas:

- the respondent’s relationship status to the household head;
- the respondent’s status in employment; and
- employment in one’s own household.

Answers given by respondents who were originally classified as paid domestic workers (private homes) to the corresponding survey question are displayed in Appendix Tables 1 to 3. For example, a substantial number were actually the head of the household themselves, or the head’s spouse, son or daughter, or a more distant relative. Some of these can be genuine paid domestic employees; it is for example not uncommon that wealthy urban residents employ one of their more distant relatives who would otherwise face unemployment. However, it would be highly unusual to employ one’s own wife or children. Similarly, paid domestic workers should normally be listed as paid employees (either permanent or casual) in the question regarding their status in employment. While this was true for the majority, others were classified as unpaid family workers or own-account workers. Further, the point of employment should normally be a household other than the respondent’s own households, but a majority of those originally classified as paid domestic workers stated that they work in their own household.

These untypical answers are not necessarily conclusive by themselves. For example, it is possible that genuine paid domestic workers identified themselves as household members or that other answers were given in error. However, a combination of unusual characteristics would corroborates the doubt that these respondents were correctly classified as paid domestic workers. Therefore, two groups were reclassified as homemakers:

- (a) All respondents who performed domestic work in their own household *and* were classified as “unpaid family worker”;
- (b) All those who performed domestic work in their own household, and who are either the household head or immediate family (spouse, son/daughter).

In total, this affected 68 063 respondents (weighted), bringing down the number of paid domestic workers to 97 256.⁵⁷ The re-classification affects the number of employed persons and the size of the labour force, and hence also the unemployment rate. This explains why the unemployment rate (relaxed definition) as calculated for the present publication is 9.45 per cent and thus slightly above the 9.34 per cent previously obtained by the CSO. However, the difference is far smaller than the natural margin of error (see Appendix 3) and has no practical relevance whatsoever.

Appendix Table 1: Relationship status to household head of respondents originally classified as paid domestic workers

	Frequency	In %
Not known	2 628	1.7
Head	53 158	33.6
Spouse	16 291	10.3
Son/Daughter	17 573	11.1
Brother/Sister	4 055	2.6
Nephew/Nice/Cousin	4 639	2.9
Grand child	5 027	3.2
Parent	1 379	.9
Other relative	11 179	7.1
Not related	42 393	26.8
Total	158 323	100.0

Note: The survey question was "What is (name)'s relationship to head of household?".

Source: Zimbabwe 2004 Labour Force Survey, author's calculations.

Appendix Table 2: Status in employment of respondents originally classified as paid domestic workers

	Frequency	In %
Paid employee-permanent	80 735	51.0
Paid employee-casual/temporary/ contract/seasonal	33 406	21.1
Own-account worker (communal & resettlement farmer)	13 939	8.8
Own-account worker (other)	3 426	2.2
Unpaid family worker	26 817	16.9
Total	158 323	100.0

Note: The survey question was "In (name)'s main job in the last 7 days what was he/she?".

Source: Zimbabwe 2004 Labour Force Survey, author's calculations.

Appendix Table 3: Location of establishment of respondents originally classified as paid domestic workers

	Frequency	In %
Establishment operated in respondent's household	83 715	52.9
Establishment operated in another household	65 644	41.5
Establishment is not operated in a household	5 658	3.6
Missing	3 306	2.1
Total	158 323	100.0

Note: The survey question was "Is the establishment operated in (name)'s or another household?".

Source: Zimbabwe 2004 Labour Force Survey, author's calculations.

⁵⁷ Incidentally, this is very close to the (extrapolated) number of 102 100 that is given in the CSO's Quarterly Digest of Statistics.

Appendix 2: Employed persons by branch of economic activity, enterprise-based or job-based concept of informality, and gender

Appendix Table 4: Employed persons by branch of economic activity and enterprise-based or job-based concept of informality, male and female respondents (absolute numbers)

Branch of economic activity (ISIC Rev. 2)	Enterprise-based concept of informality				Job-based concept of informality		
	Formal sector enterprises	Informal sector enterprises	Households	= Total	Formal employment	Informal employment	= Total (a)
Agriculture, Hunting, Forestry and Fishing	236 190	13 355	3 057 781	3 307 326	126 402	3 178 093	3 304 495
Mining and Quarrying	58 670	32 536	0	91 206	51 548	39 658	91 206
Manufacturing	182 062	104 486	4 547	291 095	144 939	146 155	291 094
Electricity, Gas and Water	9 585	2 465	0	12 050	7 752	4 297	12 049
Construction	36 763	45 718	2 375	84 856	27 808	57 048	84 856
Wholesale and Retail Trade and Restaurants and Hotels	133 682	75 112	542	209 336	120 134	88 892	209 026
Transport, Storage and Communication	90 029	16 371	0	106 400	81 183	25 218	106 401
Financing, Insurance, Real Estate and Business Serv.	45 202	3 024	362	48 588	40 299	8 289	48 588
Community, Social and Personal Services	409 414	417 940	89 816	917 170	376 163	539 276	915 439
Total (a)	1 201 597	711 007	3 155 423	5 068 027	976 228	4 086 926	5 063 154

Note: (a) Due to missing data, not all respondents could be classified according to the job-based concept of informality. Therefore, the total number of respondents differs marginally between the two concepts.

Source: Zimbabwe 2004 Labour Force Survey, author's calculations.

Appendix Table 5: Employed persons by branch of economic activity and enterprise-based or job-based concept of informality, female respondents (absolute numbers)

Branch of economic activity (ISIC Rev. 2)	Enterprise-based concept of informality				Job-based concept of informality		
	Formal sector enterprises	Informal sector enterprises	Households	= Total	Formal employment	Informal employment	= Total (a)
Agriculture, Hunting, Forestry and Fishing	72 190	4 677	1 688 129	1 764 996	26 710	1 737 277	1 763 987
Mining and Quarrying	3 965	8 899	0	12 864	3 474	9 390	12 864
Manufacturing	29 742	52 984	2 621	85 347	22 523	62 823	85 346
Electricity, Gas and Water	1 555	0	0	1 555	1 297	258	1 555
Construction	4 365	3 998	449	8 812	2 791	6 021	8 812
Wholesale and Retail Trade and Restaurants and Hotels	43 735	47 984	178	91 897	40 684	50 902	91 586
Transport, Storage and Communication	8 425	715	0	9 140	6 986	2 153	9 139
Financing, Insurance, Real Estate and Business Serv.	15 586	992	0	16 578	15 162	1 416	16 578
Community, Social and Personal Services	148 647	244 578	58 979	452 204	136 563	313 910	450 473
Total (a)	328 210	364 827	1 750 356	2 443 393	256 190	2 184 150	2 440 340

Note: (a) Due to missing data, not all respondents could be classified according to the job-based concept of informality. Therefore, the total number of respondents differs marginally between the two concepts.

Source: Zimbabwe 2004 Labour Force Survey, author's calculations.

Appendix Table 6: Employed persons by branch of economic activity and enterprise-based or job-based concept of informality, male respondents (absolute numbers)

Branch of economic activity (ISIC Rev. 2)	Enterprise-based concept of informality				Job-based concept of informality		
	Formal sector enterprises	Informal sector enterprises	Households	= Total	Formal employment	Informal employment	= Total (a)
Agriculture, Hunting, Forestry and Fishing	164 000	8 678	1 369 652	1 542 330	99 692	1 440 816	1 540 508
Mining and Quarrying	54 705	23 637	0	78 342	48 074	30 268	78 342
Manufacturing	152 319	51 502	1 926	205 747	122 416	83 331	205 747
Electricity, Gas and Water	8 030	2 465	0	10 495	6 456	4 039	10 495
Construction	32 398	41 720	1 926	76 044	25 017	51 027	76 044
Wholesale and Retail Trade and Restaurants and Hotels	89 947	27 128	364	117 439	79 450	37 990	117 440
Transport, Storage and Communication	81 604	15 657	0	97 261	74 197	23 064	97 261
Financing, Insurance, Real Estate and Business Serv.	29 616	2 031	362	32 009	25 137	6 873	32 010
Community, Social and Personal Services	260 767	173 362	30 837	464 966	239 600	225 366	464 966
Total (a)	873 386	346 180	1 405 067	2 624 633	720 039	1 902 774	2 622 813

Note: (a) Due to missing data, not all respondents could be classified according to the job-based concept of informality. Therefore, the total number of respondents differs marginally between the two concepts.

Source: Zimbabwe 2004 Labour Force Survey, author's calculations.

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