Women Working in the Informal Economy
Challenges and Policy Considerations

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This article examines the issues of women working in the informal economy. What is of interest under this topic is the sterling performance and resilience of women who work in today’s economy. This is in spite of the multiple daily limitations they face at their place of work. They create employment in contexts where the formal economy cannot provide jobs for the majority of people who are less skilled and who are thus casualties of the capitalist system. Their role is visible in the economic sphere at the household level as well as within society as a whole. Those who feed families and educate children are often the same ones who now occupy key positions in government and the private sector. This role, however, is not always recognised and there are major policy gaps that leave women unprotected and prone to exploitation. Women are often undermined by their male counterparts who use traditional norms to subjugate them. This is clearly demonstrated by those in joint associations for people working in the informal economy.

Nevertheless, women have found ways of surviving in precarious circumstances that may otherwise destroy them. They are able to rise above these limitations – not only to cope – but also to build a decent living. They have found ways of mobilising themselves and each other, at times building their own associations as a way to deal with the challenges they are confronted with.

In the first section of this article, the authors discuss women in the informal economy, looking at the challenges that confront them as they conduct their business, with a view to highlighting key strategic policy issues that need to be taken into account if governments are going to make a real contribution towards poverty alleviation. The paper does not cover all the challenges women face but focuses on those that are viewed as most critical. The primary focus is on informal cross-border traders as well as those who work within the borders of their own country.

The second section looks at the background of the informal economy generally and its contribution to the overall economy. It considers the women within this economy, focussing on the various reasons that drive them to enter the informal sector. The serious challenges that face women and limit their potential for growth in the business world are highlighted. Some of these include policy gaps and a lack of participation, sexual harassment and cultural and religious factors. The paper concludes with a consideration of some strategic policy issues.

Background to the Informal Economy
The informal economy, in terms of either cross-border trade or vending, has been the mainstay of countless poor people’s livelihoods in developing nations, especially in Africa, including Southern Africa. Many scholars have attempted to define the informal economy and, classically, the informal economy has been described as the sector of the economy which is unregulated and characterised by negative aspects such as tax evasion (Bacchetta, Ernst & Bustamante, 2009, cited in Mwaba, 2010). Others describe it as a sector giving undervalued receipts, using uncharted routes and smuggling goods including illicit and illegal commodities (Njiwa, 2013: 22).

However, from a realistic perspective, the informal sector could be described as that part of the economy run by those who endeavour to make ends meet through their own initiative and enterprise. The informal economy also often lacks government sanction and private sector support. Nonetheless, the informal sector makes a considerable contribution to the reduction of household poverty. In other words, the informal economy...
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also acts as a safety net for unemployed people in the region, as outlined in an Advocacy Strategy by the Southern African Development Community (SADC, 2011: 5).

Unfortunately many governments in Southern Africa and Africa as a whole do not recognise the importance of the sector despite its enormous contribution to the region’s economy. For instance, the United States Agency for International Development (USAID, 2010) has estimated that the value of trade conducted by women in the SADC region is approximately US$7 billion annually. However, many governments view it as a threat (Makombe, 2011: 44) as opposed to managing and nurturing it so that it becomes a secure and viable support system for people who cannot secure formal employment or for those who have identified an opportunity to create a business for themselves and employ others.

The failure of national governments to create jobs, coupled with the neoliberal policies of international finance institutions introduced in the late 1980s, which have resulted in deindustrialisation, has allowed the informal economy to grow and it is growing fast as more people are becoming involved in the sector due to job losses in the formal sector. Several studies indicate that women who have generally been the majority of the players in the informal sector (Tsitsi, 2002, King & Ayeh, 2003, Lund & Skinner, 2000, and Ahikire & Ampaire, 2003, cited in Mitullah, 2004: 5). The membership data compiled by the Southern Africa Cross Borders Trade Association (SACBTA & SAT, 2014) shows that, out of the 52,574 registered members, 72 percent are women. This statistic is similar to the results of earlier research conducted in the SADC region which showed that 70 percent of cross-border traders in the region are women (USAID, 2010: 2).

A number of factors could explain why the majority of individuals in this sector are women. Firstly, it is suggested that the informal economy is a source of employment which is more attuned to the needs of women (Ramani et al., 2013: 4). Secondly, the vast majority of women conduct their business from their homes or on the streets (Chen, 2001: 4). Furthermore, women tend to be overrepresented in low income jobs while men overpopulate upper segment jobs (ibid). Therefore, it can be concluded that women may engage in the sector because it is the best or the only way they can earn a living. This may be due to a lack of employment opportunities and experience, a lack of skills and high illiteracy rates.

However, there are also women who have voluntarily chosen to engage in the informal sector because they have identified opportunities in which to excel. Such women may be well educated and otherwise empowered to work in the formal economy but they have opted to work in the informal economy. Whatever their reasons for choosing to engage in the informal economy, what ultimately drives women to make such choices is the need for a secure livelihood for themselves and for their families.

Challenges facing women working in the Informal Economy

Sociocultural factors that affect women working in the informal economy

Before we can begin to discuss the challenges facing women who work in the informal economy, it is important to first address the sociocultural issues that affect them. This is mainly because of the influence these factors have in determining the success or failure of a woman in her business venture. In this regard, Mwaba (2010: 14) argues that ‘social factors and cultural priorities, constraints and opportunities form the basis of what people hope to achieve and how they go about meeting their goals.’ Patriarchal systems in Southern Africa have made a major contribution towards both discrimination against women and ensuring that they remain subordinate to their male counterparts. This system has presented many more constraints to the advancement of women than opportunities for growth. In Mwaba’s words (2010), women are ‘generally regarded as subordinate to their male counterparts, have less voice, less autonomy, fewer opportunities and lowered self-esteem.’

Women in the informal economy are certainly not exempt from these conditions and these constraints are clearly reflected in their daily work. This system has given men the ‘right’ to invade the private space of women with inappropriate demands that are demeaning to women as well as infringing on their rights to make a living. Some men go to the extent of demanding to know whether or not a woman is menstruating before engaging in business with her. According to the Ecumenical Service for Socioeconomic Transformation (ESSET, 2010), the expectation is that women should stay away or employ other women during such times. Sadly, women tend to internalise their subordination and this is reflected in their approach to leadership issues within their associations, in how they deal with policymakers and how they conduct their business.
Exclusion from policy processes and a lack of appropriate legal and policy frameworks

Despite the fact that women are the majority in the informal economy, they are often excluded from policy processes and this exclusion manifests in different forms. Participation mechanisms and processes for women in the sector are often inappropriate, employing economic jargon or disempowering language with women being viewed in a negative light. At times, engagement with women in the sector is conducted in a manner that does not suit a woman as they have multiple responsibilities beside their business (ESSET, 2010). This exclusion results in the formulation of top-down policies that do not address the specific concerns of women.

To make matters worse, many countries, especially in the SADC region, do not have appropriate legal and policy frameworks to protect and nurture the informal economy and to protect women as is the case in the formal sector. Where there is some form of legal framework, such frameworks fail to address the needs of women and the gender power dynamics at play in the informal economy (Mwaba, 2010; Steyn, 2011). The lack of appropriate legal frameworks exposes women to all manner of abuses, particularly from law enforcement agencies and officials who show little or no concern for the very laws they are supposed to uphold. This is expressed in various ways including police brutality, corruption and double taxation (ESSET, 2010; Chetty, 2012).

Governments have even been found to use old colonial laws to manage the informal economy (Mitullah, 2004: 18). The Department of Trade and Industry in South Africa (2013) argues that these laws promote perceptions that informal economy workers are illegal and a nuisance. These laws allow city authorities to ‘forcibly remove any nuisance, obstruction or encroachment on streets or any public place’ (ibid). This view promotes the criminalisation of both street merchants and cross-border traders. This forces informal economy workers to find creative ways to address their ‘enforcement challenge’, some of which might be dangerous such as using unmapped routes to smuggle goods.

Unfair competition

Women working in the informal sector face multiple forms of competition including from their male counterparts and large-scale companies. Street traders often experience stiff competition from big economic players (Chen, 2001: 8). Women who are less advantaged compared to their male counterparts suffer the most.

The general low level of education and business literacy among women contributes to this significantly. It also means they cannot have the same level of access to finance as their male counterparts. Most women use their own sources of income, which are frequently meagre, to raise capital for their business. This may be supplemented through borrowing from their neighbours and families as well as their own savings. The requirements for bank credit tend to be cumbersome and women are consequently side-lined. Women are also sometimes categorised as a high-risk group for credit. The lack of assets and capital required for collateral limit their potential to grow their business (Mwaba, 2010). These issues appear to validate the perception that women are non-bankable (Chetty, 2012).

This is a critical factor that limits opportunities for women to grow their businesses and exacerbates the inequality between men and women in the informal economy.

Sadly, credit solutions in the form of microfinance are no better. Like commercial banks, they are geared towards unfettered profits and in a position to exploit others. In the process, they trap women into on-going cycles of debt. Promoted by the architects of the neoliberal agenda, such models only serve the interests of capitalism at the expense of women in the informal economy. In some countries, like Malawi, microcredit firms are seen as loan sharks, popularly known as ‘katapila’ in the vernacular language (ESSET, 2009).

Women in the informal economy often complain of sexual harassment from both government and customs officials at the borders (Brenton, Gamberoni & Sear, 2013). Due to a lack of clarity on what is expected of them at the border posts, women traders are taken advantage of sexually by corrupt government officials in return for facilitating the entry of their goods (ibid). A worrying trend is that women often do not talk about the sexual harassment they suffer, fearing they will be seen as party to their own harassment. Sadly, it is also known that women traders or vendors entice customs or government officials sexually to ensure their goods are given preferential treatment in terms of paying taxes (Brenton et al., 2013).

Many informal economy workers operate under unfavourable conditions with no proper infrastructure. This is true for both women cross-border traders and workers within a country. Key issues in this regard include ‘shelter, roads, toilets, water and sewerage, and garbage collection’ (Mitullah, 2004: 9) as well as inadequate border infrastructure for cross-border traders (Chetty, 2012). This is particularly problematic for women and undermines their socioeconomic rights as well as compromising their health.

Strategic Policy Issues

The importance of the informal economy in terms of contributing to the national and regional GDP and labour market is clearly reflected in one of the biggest economies in Africa, Nigeria. An article by Omonia (2014) in the Business Day suggests that in the first quarter of 2013 over 174,000 new jobs were created in Nigeria’s national economy. According to the article, the informal sector led the growth in total jobs for the period by contributing 53 percent of newly created employment opportunities. This was followed by the formal sector at 41 percent and the public sector at six percent (ibid). Given this information, it is clear that if countries in Southern Africa and Africa at large want to develop their economies, policymakers cannot afford to neglect the informal sector. While in Nigeria men dominate the informal labour market, as described in an article by Onwe (2013), it has already been established that in many countries in Southern Africa, women make up the majority of those in the informal economy (SACBTA & SAT, 2014; USAID, 2010: 2). Given the role women play in the informal economy, both in production and poverty eradication in particular, policies must purposefully engage with the real challenges of the sector, especially those that impact women. A number of strategic policy issues need to be addressed in this regard.
Addressing gender and gender in the informal economy

Many trade policies, be it at the SADC or national level, are gender neutral and what presents a problem is that they do not contain provisions to address informal trade, let alone women in the sector. If women in the informal economy are to be promoted, there is a need to develop policies that specifically target them. This requires political will. A lack of political will by the SADC and its member states is reflected in their failure to implement the SADC Advocacy Strategy on Informal Cross Border Trade. This strategy seeks to promote informal cross-border trade as an accepted sector with a conducive policy, legislation and business environment (SADC, 2011).

In terms of addressing gender stigmatisation and exclusion in the informal sector, policymakers must address historically inherited social and religious norms as well as societal expectations about women that constrain their economic lives as consumers, workers and producers (Ramani et al., 2013). The SADC Protocol on Gender and Development (SADC, 2008), which seeks to empower women and give them opportunities equal to their male counterparts, suggests the use of affirmative action principles as one of the many ways to attain gender parity. The Gender Protocol goes as far as to request member states to enact gender responsive legislation that ensures equal opportunities for men and women in trade by 2015 (SADC, 2008, Articles 2&3). However, this remains a dream to be achieved.

Trade facilitation in the informal sector

Malawi, Zambia and Zimbabwe, under the Common Market for Eastern and Southern Africa Simplified Trade Regime (COMESA STR), have put in place trade mechanisms that allow women and all cross-border traders to enjoy duty-free status for goods originating within the three countries to the value of US$500 in Zimbabwe, US$1,000 in Malawi and US$2,000 in Zambia. Aside from these exceptions, most SADC countries do not have policies aimed at creating a favourable trade environment for the informal sector. It is therefore important for SADC countries that do not have such trade arrangements for the informal economy to integrate their policy propositions with similar trade arrangements in other countries which have already been advocated for by people working in the informal economy. This should be conducted in harmony with the SADC Trade Protocol or bilateral trade agreements (SADC, 2005).

Such trade arrangements would assist traders in numerous ways by aligning procedures and taxation processes including tariff bands, duty-free or tax band margins as well as the immigration processes required for conducting business. An increased tax-free band for the informal sector, similar to the STR practice, would help increase profits for women traders. Properly aligned customs and immigration procedures would reduce the amount of time spent at the border, thereby ensuring a more efficient transit for trade goods and protecting women from compromising situations. At the same time, women would have more time and leeway to conduct business as opposed to the current practice of allowing 30 days per business trip with extensions having to be applied for.

Conducive trade policy for a flourishing informal economy

More specifically, there is a need to promote an enabling working environment for women in the informal sector which is unique and adapted to the needs of local women to facilitate the growth of their businesses and promote their safety and socioeconomic rights. For instance, countries must recognise the role women play in the sector and then formulate national informal economy policies including cross-border trade policies which address the plight of women in the sector as articulated by the Southern Africa Trust and its partners (SAT & SACBTA, 2014: 8). The policy, among other things, should create mechanisms that support women in their efforts to access capital, capacitating them in the business environment and protecting them from unfair competition with big economic players. One of the ways in which policy could support women to increase their competitiveness is by allowing bulk buying and introducing more user-friendly technology (Onwe, 2013: 71). Coordinated efforts can be made to provide them with market information and link them to suppliers.

In terms of improving access to capital for women, policies should create measures to guarantee access to appropriate financing, including those that will help women meet collateral requirements. At the same time, finance for women should promote values that are different from those generally promoted by commercial banks which focus merely on making a profit. For such models to be successful, it is important to take into account the interests of women and work closely with them. Lessons can be drawn from existing, self-reliant community finance models such as ‘stokvels’, which many people, particularly women in the region, have relied on for years. The intention should not be for government to take these over but to support and explore how these can be used for business purposes.

These community models are closely linked to ‘solidarity finance’, which is a concept of solidarity economy. According to Arruda (2008), ‘solidarity finance is a shared manner of saving, managing and investing in people’s money.’ It steers away from dominant capitalist models of finance, instead working to ensure that finance is invested towards meeting people’s needs (ibid). It is worth noting that, while certain governments support solidarity economy and finance, the full control of solidarity finance remains in the hands of its owners, that is, the community, thus enhancing their capacity. Some are not aware that the money under solidarity finance is given to people to start their own local banks and to provide finance to other structures of a solidarity economy which are excluded from the traditional financial and banking sector (Arruda, 2008).

More lessons on alternative finance can be drawn from experiments taking place in countries such as Kenya where the policy environment supports and facilitates finance institutions specifically for women such as the Women’s Economic Empowerment Consort (WEEC) which was formed in 1995 (Stevenson & St-Onge, 2005, cited in Mwaba, 2010). Of interest are the many benefits that women derive from such initiatives such as training, access to information, credit and savings mobilisation as well as solidarity among women. Such collective practices around the provision of finance are proving to be successful and, at the same time,
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dispelling the perception that the informal sector is unbankable and thus risky. In fact, Onwe (2013: 71) suggests that the most successful experiences of repayment on small loans have taken place in the context of solidarity groups.

Promoting women in policy formulation processes for the informal sector

Policy can never respond to the realities faced by women working in the informal economy if these women themselves have not participated in its development. It is for this reason that women traders at the Second Regional Women’s Forum for the SACBTA held in Lusaka, Zambia, stated in their communiqué, ‘Nothing for us without us’, (SAT & SACBTA: 2014: 3) meaning that policies for women in trade can only be formulated effectively with their full involvement and participation. This is particularly important given the reality of the situation: policymakers don’t always have a proper appreciation for the informal economy. Because of the historic and systematic exclusion of women from socio-political and economic affairs, governments in the SADC Region and SADC policymakers should put in place intentional measures, specifically aimed at building women’s capacity for policy engagement. Strengthening leadership and measures which will boost women’s confidence in the policymaking environment should take centre stage. These should be supported by appropriate platforms and processes, both at the country and regional levels, to guarantee that the voice of women is heard. Mwaba (2010: 11) supports this view and further suggests policy measures for accountability by policymakers in her research report on entrepreneurial training as a driver for policy engagement.

Formalisation of the informal sector

Official recognition of the informal sector and informal trade has become a major theme in government corridors, promulgated as one of the ways of addressing the challenges of the sector. The formalisation of this section of the economy is seen as an attempt to address the exclusion of informal economy workers from the formal economy (Ramani et al., 2013: 3). However, debates tend to be top down in nature and less understood by those working in the informal economy. There is often a disjunction between the interests of governments and those who the agenda intends to assist. This formalisation, as understood from the stand point of government, does not seem to be congruent with the realities of women who are part of the sector and it also places more demands on women rather than facilitating their livelihood. The report by Karumbidza (2011: 9) attests to this, arguing that, while on paper formalisation proposes ‘a progressive link and integration between the informal and formal economies,’ its implementation is contrary to its policy intentions.

On the contrary, Women in Informal Employment: Globalizing and Organizing (WIEGO, 2014) suggests that, for formalisation to be meaningful to people working in the sector, it must meet the following requirements:
- organising labour rights, voice and bargaining power,
- legal identity and standing,
- economic rights and social and protection rights.

For women in particular, formalisation must meet their critical needs for social protection such as maternity benefits, childcare and the prevention of abuse (WIEGO, 2014: 9).

Recommendations and Conclusion

This article highlighted the challenges facing women working in the informal economy and the drivers that attract women to work in this sector. We conclude that the informal economy is a major employer of women due to its easy access compared to the formal sector. While their role is not adequately recognised, women contribute significantly to poverty alleviation, household income and national or regional GDP. In light of these challenges and policy gaps identified throughout the paper, the authors make the following key policy recommendations to support women in the sector:

- The SADC and its member states should implement the SADC Advocacy Strategy on Informal Cross Border Trade which specifically addresses issues of women in cross-border trade and in the informal economy in general.
- National governments should formulate national informal economy policies to address the needs of the sector and as a way of recognising the sector as an equally important player in the national economy. However, this should involve informal economy workers themselves as the main participants in the policy formulation.
- Solutions to address women’s challenges in the informal sector must be supported by appropriate legal instruments and policies informed by women’s voices and needs. It is imperative that these instruments and policies consider women as workers who have the right to decent work with accompanying benefits.
- Policymakers must consider new and innovative strategies for women’s economic empowerment. These strategies must embrace alternative finance models that are compatible with women’s realities, driven by different values and building on their existing strategies. Economic empowerment strategies should also entail capacity building and mentorship programmes.
(Ramani et al., 2013). This must include finance and business literacy as well as other soft skills such as confidence building and assertiveness training. Women must be involved in determining capacity-building needs from the beginning up to the development and implementation of capacity-building solutions. This will ensure these initiatives are responsive and address the pertinent matters of concern to women.

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