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FACULTY OF ARTS

An analysis of the contribution of the informal industries to urban social and economic development. Case of Glenview Area 8, furniture manufacturing industries.

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BY:

KATIVHU DENVER

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APPROVAL FORM

The undersigned certify that they have read and recommended to the Midlands State University for acceptance.

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(Signature of supervisor)

Date

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...../...../...../.....

(Signature of chairperson)

Date

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...../...../...../.....

(Signature of the student)

Date

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DEDICATION

This dissertation is dedicated to the almighty God and secondly to the Kativhu family for believing in me and granting me the opportunity to pursue this degree.

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ABSTRACT

This research seeks to analyze the contribution of the informal sector to the urban social and economic development particularly the furniture manufacturing industries in Glenview area 8. The furniture manufacturing complex was established by the government in 2005 after the devastating Operation Murambatsvina as a compensatory measure to the victims of the clean-up campaign. The government constructed the complex after they realized that many people were left with no sources of income since many urban dwellers were earning their livelihoods from the informal industries. First chapter of this study gives a general overview of the growth of the informal industries in Zimbabwe and the furniture manufacturing industries in Glenview area 8 in particular. The second chapter gives detailed findings of the impacts of the furniture manufacturing industries to the urban social and economic development in a country with characterized by high unemployment rate and liquidity crunch. The high unemployment rate is perpetuating the rapid growth of the informal industries as many companies and industries are closing down and some retrenching workers day by day. This study also identified various challenges being faced by the informal industries which is hindering their growth into bigger firms. This research also tried to come up with suggested recommendations on the problems faced by the informal industries.

LIST OF ACRONOYMS

CZI.....	Confederation of Zimbabwe Industries
ESAP.....	Economic Structural Adjustments Programs
EMA.....	Environmental Management Agency
EU.....	European Union
FDI.....	Foreign Direct Investment
GDP.....	Gross Domestic Product
IDC.....	International Deregulatory Committee
ILO.....	International Labor office
MERP.....	Millennium Economic Recovery Plan
PASS.....	Poverty Assessment Study Survey
SEDCO.....	Small Enterprise Development Corporations
SME.....	Small and Medium Enterprise
UNDP.....	United Nations Development Program
ZIMRA.....	Zimbabwe Revenue Authority
ZIMSTAT.....	Zimbabwe National Statistics Agency

INTRODUCTION

This dissertation seeks to examine the contribution of the informal industries to urban livelihoods, primarily focusing on the impacts of Glen View Area 8 Informal Industrial sector.

The informal sector is described as that of the economy that is not taxed or monitored by any Gross National Product unlike the formal sector (Keith Hart 1975). Like in other African countries, informal employment plays a major role for livelihoods in Zimbabwe Xaba et al (2002). Large formal furniture companies were heavily affected by the economic recession which reached its peak in the period 2007 to late 2010. During this period, the formal industries struggled to function at full scale and this resulted in massive retrenchments and closing down of many industries and companies. This paved way for small scale furniture manufactures; who produced cheap; homemade household and office furniture. The rapid flourishing of the informal industries is attributed to the economic recession being experienced in the country which affected people's incomes resulting in high demand for low cost furniture.

Munhande and Makaye (2008) at Independence the informal sector accounted for less than 10% of the labor force. However, as time went on about 4 million Zimbabweans started earning their livelihood from the informal sector. This was as a result of increased demand for formal employment due to a high professional and educated population against a gradually declining economy. The term informal industries or home industries covers enterprises like furniture manufacturing in Glen view Area 8, Siyaso in Mbare, Gazaland shopping center in Highfield and Chikwanha shopping center in Chitungwiza. The unavailability of goods in the formal sector and also the availability of relatively cheap affordable goods in the informal sector perpetuated the growth of the informal sector, absorbing large numbers of formally unemployed citizens.

According to ZIMSTAT survey (2000), an estimate of 4 000 companies closed down and various economic analyst observed that informal employment surpassed formal employment and out the 6.7 million working adults only 2.7million were still being formally employed.

Basing with these statistics, one can clearly note that the country is experiencing high formal unemployment rates, with the informal industries providing more than half of the employment opportunities. More so; with the current economically active population, that is 15 years and above was estimated to be 5.4million and these, 84% are in the informal sector and 5% in an unclassified sector.

This research intends to analyze the contribution of the informal furniture manufacturing industries in Glen View Area 8 to the urban livelihoods and economic development. Given the close relationship between the formal and informal sector, this research would like to investigate how the two sectors can be utilized fully to drive economic growth.

BACKGROUND STUDY

The term informal economy was first used by Hart in 1970 to describe the multitude of often temporary economic strategies adopted by migrant workers in Ghana in the face of marginal job market. However, the term was elevated to the international spectrum in 1972 by the International Labor Organization in its Kenya Mission Report. The informal economy is more noticeable in the developing world and was firstly seen as a survival strategy arising from the undercapitalization and lack of skills, but now it has become a permanent feature, serving as an alternative to high rates of unemployment in the formal sector. In Nigeria, it is estimated that as much as 70% of the nation's economic activities and 60% of the country's employment are in the informal sector.

According to Kaplan Wheeler and Holloway (2004) the proliferation of the informal sector in urban areas of developing countries can be attributed to rapid urbanization and natural population increase after the colonial era. Thus the failure by city governments and the private business sector in developing countries to generate formal employment forced the large numbers of job seekers who viewed cities as places of hope and opportunity to join the informal sector Arimah (2001). Africa is experiencing rapid urban growth that is higher than the average economic growth thereby creating massive social, economic and political challenges for the continent, as millions are absorbed in the informal employment.

PROBLEM STATEMENT

The continuous decline of the formal sector due to various past economic policies and political instability resulted in the failure of the formal sector to adequately generate employment to meet the high demand for jobs in the country. Thus, the unavailability of job opportunities in the formal sector resulted in many people resorting to the informal sector as a means or source of income. The government also established the Ministry of Small and Medium Enterprises which is solely responsible for all the operations of informal industries. To assist this sector the government also set up structures such as the Glenview Area 8 furniture manufacturing complex to aid informal industries. However, it remains to be seen if the informal sector as represented by Glenview Area 8 furniture manufacturing industries have impacted positively. Therefore this research seeks to explore on socio-economic livelihoods of urban dwellers in high density suburb of Glenview Area 8

RESEARCH OBJECTIVES

This research seeks to:

- Examine the factors that led to the growth of informal industries, especially those in urban areas.
- Examine the contribution of the informal industries to the socio-economic livelihoods of the owners and workers.
- Investigate government policies, regulations and institutions in relationship to informal industries.
- Suggest ways to promote continued growth of informal industries in the interest of socio-economic development.

RESEARCH QUESTIONS

This research seeks to:

- What are the factors that gave rise to the flourishing of the informal industries?
- What are the major challenges being faced by informal industries?
- How have the people benefited socially and economically by participating in the informal industries?
- What ways can be suggested to enhance the informal sector in the interest of socio-economic development?

THEORETICAL FRAMEWORK

Various theories have been brought forward in trying to explain the business outside the formal sector. However, this research is going to be supported by the of the Structuralism theory, which postulates that there is a strong relationship or linkages between the informal sector and the formal sector. Castells and Portes (1989) argues that the formal sector utilizes cheap labor and inputs from the informal sector in the production processes. Therefore the two are intertwined and should not be seen as two different parties. According to this theory, informalisation is a process that occurs with capitalist development .They further stated that governments of developing countries must intervene to ensure that their economies will be able to become fully modernized and industrialized, They went on to argue that if governments do not this, they will be doomed to remain in a colonial relationship with the rich world .This theory was mainly applied to Latin American countries, stating that Latin American countries would be used by United States of America as sources of raw materials and cheap labor, unless their governments protect infant industries in their countries from foreign competition by imposing tariffs and on imports, by increasing the cost of imported goods, The governments will thus allow new domestic industries to develop until they are able to compete on their own with industries from rich countries. Therefore looking at the Zimbabwean context it is evident that the formal sector and the informal sector are dependent on each other, as large departmental shops are buying cheap finished goods from the informal furniture manufacturing industries in Glen view area 8 for resale. Whilst the informal industries heavily depends on the formal industries for raw materials, machinery and markets for their goods.

LITERATURE REVIEW

A lot of academic research has been carried out pertaining to the issue of the flourishing of industries worldwide. Some economists are of the view that informal industries are key to unlocking economic and social development especially in the third world countries others argues that informal industries cannot drive economic growth unless they are formalized.

The term informal sector was first brought into the academic literature by a social anthropologist called (Keith Hart in 1971-1973). According to Hart, the informal sector is that part of labor force or production which takes place outside the formal labor market. This was therefore used to refer to ways of making a living outside the formal wage economy, either as an alternative to it or as a means of supplementing the income earned formally as noted by Bromley et al (1979). However, though the researcher agrees with Hart that the informal sector takes place outside the formal economy. He stresses that the informal sector has become a primary source of employment and income in urban Zimbabwe, even as it also supplements the earnings of the formal labor market. This is so since the formal sector is continuously declining and failing to offer jobs and favorable wages and salaries.

The International Labor Office also conducted a research on employment in Kenya in 1972. According to their Report, the informal sector is mainly characterized by the avoidance of government regulations and taxes. The ILO considered the main aim of the informal sector to be that of providing subsistence to families. They also brought out a new aspect of the informal sector, which is its dynamism for economic growth and providing employment. However, looking at the current situation in Zimbabwe, the researcher has noted that the informal sector is not only providing subsistence to the families but they are also producing surplus goods for sale

not only to individuals but also to large departmental shops. Moreover, the informal industries did not flourish because of stiff government regulations and taxes as propounded by the International Labor Office, but rather they rapid grew in response of the unavailability of formal employment.

The formal sector and the informal sector are interdependent. On one hand, the informal industries heavily depend on the formal sector for raw materials, machinery and markets for their finished products. Whilst on the other hand, the formal sector enjoys buying relatively cheap finished products from the informal industries as compared to importing from other countries. Therefore the idea of formalizing and taxing the informal industries may not lead to economic and social development. This is more so when one considers that the flourishing of the informal sector is greatly caused by the failure of the formal sector.

Indeed the performance of the informal sector has a major impact on the performance of the wider economy as noted by Kumbavi D. (2002).He further stated that, despite the sector not falling under the armpit of the taxman, the sector indirectly contributes some significant amount to fiscal revenues through VAT. In this regard, any measure that the government takes to promote this sector will assist in achieving economic growth. The informal industries in Glen View Area 8 have contributed much to the social and economic development of the local residents by providing employment and cheap affordable goods and also by sustaining the surviving formal producers. They also help in maintaining a few jobs in the formal sector as they buy raw materials and sell finished goods therefore keeping the formal sector afloat even in times of economic recession. For example, in Kenya, the government began to incorporate the informal sector into the national economic policy as early as 1986, after having identified the informal sector's potential for employment creation in the country.

According to Duff et al (2000), the Chinese government has also taken increasing interest in the informal sector as a means to address the issues of unemployment. Shanghai municipal government initiated a scheme of informal labor organization, which have become a sub category of the informal sector. in line with the above, this dissertation therefore intends to emphasize the importance of informal industries, not only as a shock absorber, but as one of the elements that can fuel economic growth and improve living standards of the general populace in Zimbabwe.

According to Portes (2000) informal industries should be seen as subordinated economic units, micro-firms and workers that serve to reduce inputs and labor costs and thereby increasing the competitiveness of large firms. They further stated that different modes of production are seen not only to co-exist but they are closely connected and interdependent .More so, they argued that the nature of capitalist development rather than lack of growth accounts for the persistence and growth of the informal sector and its dynamic production processes. The informal sector relies on the formal sector for inputs but in a way that limit its expansion. They further argued that both informal and formal sectors are subordinated to the interest of the capitalist ideologies of providing cheap goods and services. However, the informal sector and the formal sector are closely connected together not only in capitalist societies but even in Socialist states like China.

As noted by Sunita and Mead (2002) and Tevera (1998) the informal sector played a vital role in the development of the manufacturing industries in South East Asia and countries such as Japan, South Korea and Taiwan. These countries owe their industrial development to informal industries. Just as in developed countries, the informal sector tends to resuscitate manufacturing industries in the marginal regions. Basing with the above mentioned, this dissertation seeks to

stress the point that the informal sector in Zimbabwe should be taken seriously as it has the potential to revive the dying manufacturing sector.

Helmsing (1995).argued that given the variations in the level, pattern and rate of economic development in different parts of the world, the informal sector tends to vary from place to place.

However, despite these variations it is evident that different parts of the world benefited from utilizing the informal industries .this also applies to Zimbabwe where the formal economy is gradually crumbling down, companies closing and downsizing, driving a lot of people into the informal industries. Therefore considering this current situation it is high time the informal industries are given full attention to rescue the troubled formal sector.

METHODOLOGY

Information or data on this research was derived from both primary and secondary sources including books, Journal articles, online articles, newspapers, research and studies done by other scholars.

QUALITATIVE

Qualitative research is concerned with phenomena relating to or involving quality. It is more interested in investigating reasons for human behavior. The qualitative approach is considered useful to this study in view of its unique feature of allowing the researcher to get closer to the subject for in depth inquiry into the phenomena under investigation. The researcher used qualitative research methodology when collecting data on this dissertation mainly because qualitative research is descriptive and explanatory in nature. Qualitative research was also relevant as the researcher aimed to describe the nature of the informal industries in Glenview Area 8 and also to explain how these informal industries have contributed to the livelihoods of urban dwellers particularly those in Glenview Area 8.

TARGET POPULATION

The targeted population of this study are the participants in the furniture manufacturing small and medium enterprises of Glen View Area 8 in Harare. According to ZIMSTAT (2013) they are approximately 2000 people operating at the informal furniture manufacture complex in Glenview.

POPULATION SAMPLING

Bless and Higson –Smith (1997) define sampling as the study of relationship between population and the samples drawn .Sampling involves decision about which people, setting, events, behavior or social process to observe. Sampling is the part of statistical practice concerned with the selection of observation that is meant to yield some knowledge on a given population. The larger the sample size, the lower the likelihood of the error of generalizing. (Collin Robson, 1993).the researcher distributed questionnaires and carried interviewed 100 people out of approximately 500 people participating in central complex of home industries in Glen View Area 8 using Random sampling technique method.

RANDOM SAMPLING TECHNIQUE

According to Starnes (2008) Random sampling is one of the best ways to achieve unbiased results in a study. Random sampling includes choosing subjects from a population through unpredictable means. All subjects have an equal chance of being selected out of the population researched.

ADVANTAGES

- By randomizing the researcher is guaranteed of getting unbiased results.
- It is faster and less costly and a more efficient way to obtain results.
- It provides results which are valid helping the researcher to make conclusions.

DISADVANTAGES

The sample may not be representative of the larger population, which may incur sampling error

DATA COLLECTION METHODS

QUESTIONNAIRES

Questionnaires are designed to collect data which helps in obtaining the objectivity of a research project. Brink (1996) argues that a questionnaire refers to a self-report instrument where respondents write their answers in response to the printed questions of a document. For this research, questions on the questionnaire mainly focus on the impact of informal industries on livelihoods and also aimed to explore if there are any government policies that are hindering the growth of the informal industries.

ADVANTAGES

- Saved the researcher time and money by administering questionnaires to a large number of people gathered at the furniture manufacturing complex
- People tend to be honest when responding to the questionnaires regarding controversial issues in particular due to the fact that responses are anonymous

DISADVANTAGES

- Costly to prepare and time consuming during data collection as some of the respondents needed translation given their low education levels.
- Questionnaires are not very reliable as revealed in the course of this study when some of the respondents do not answer them or return them, or even chose responses without full comprehension of questions.

INTERVIEWS

The researcher used both structured and non-structured face to face interviews with the participants in the informal industries and also the relevant government ministry as a means of data collection. On structured interviews the researcher asked a standard set of questions and nothing more. This research also used unstructured open ended interviews.

Mason (2002) supports that the benefits of interviews are that they gain further insight into the issues that have been left out in the documentation of the research proposal. Dilon (1993:20) emphasized that personal interviews were by far the most versatile and flexible means of data collection methods. In-depth interviews allows mutual understanding and trust for personal information to be shared. According to Borton (2000) an in depth interview is one direct interview with a single participant. The researcher aimed at uncovering the underlying motives, views and perceptions of the interviewed person.

ADVANTAGES

- Face to face interviews had the distinct advantage of enabling the researcher to establish a relationship with participants in informal industries of Glen View the researcher therefore gain their cooperation and yielding the highest response.
- It allowed active participation of the interviewee and handed the researcher firsthand information

DISADVANTAGES

- Subjectivity and bias as respondents tends to give answers expected by the interviewer rather than giving the real facts.

- It is time consuming and expensive since a large sample is involved and at times, the researcher had to travel to the CBD to talk with managers of Departmental shops, who at times were unavailable.

OBSERVATIONS

Shuttleworth (2009) defines an observation as the obtrusive watching and recording of the behavior of research participants in laboratory situations or in natural settings. The researcher took time to visit the furniture manufacturing complex in Glen View Area 8 to observe their day to day running of the business and also visited department shops in Harare who sometimes buys finished goods from the informal industries. The researcher carried out the observation disguised as a customer so as to avoid suspicion from the participants who might change their normal way of doing business if they notice that they are being watched therefore in the end giving biased results.

ADVANTAGES

- The researcher gets firsthand information based on lived experience.

DISADVANTAGES

- It is time consuming
- The researcher may come up with biased conclusions.
- The observed may act in ways they do not normally do if they realize they are being observed, distracting reality.
-

CHAPTER ONE

The Growth of Zimbabwe's informal sector and Glen view area 8 informal furniture industries.

Evolution refers to a gradual process in which changes or transforms into a different and usually more complex or better form than it was before. This chapter seeks to explore the various possible factors that have contributed to the rapid evolution of the informal sector in Zimbabwe and rapid evolution of the informal furniture manufacturing in Glen View Area 8 and lastly the characteristics of those small furniture firms.

The growth of informal sector in Zimbabwe

The growth of the informal sector in Zimbabwe has reached an unprecedented level in the post-colonial era. Though it existed during the colonial era in relative terms, only a few people participated in it mainly because the colonial government passed restrictive rural-urban migration laws. This reduced the urban job seeking population and also the industrial and agricultural sectors were still functional providing employment to large numbers. During the 1980s, the economy of Zimbabwe experienced a boom in the agrarian-sector, the country was regarded as the bread basket of Africa exporting agricultural products to most southern African countries. The country's economy inherited from the Rhodesian government was one of the strongest economies in Africa in the 1980s. However in the early 1990s, signs of poor economic performance started to surface due to low investment, climate change and heavy spending on social services by the government as noted by PASS (2000). In an effort to address the economic problems the government adopted the ESAP and reduced its spending on education and health. This affected the Zimbabweans who could no longer afford basic human needs like education and health facilities thereby degrading their living standards. More so, the emergence of HIV/AIDS during this period exacerbated the situation as more people needed health assistance from the government and yet the government had cut its health expenditure.

The government was now struggling to keep the economy afloat. The formal sector was now failing to operate at full scale. Many companies and industries embarked on downsizing and retrenchment of workers. Going back to 1980, President Mugabe had invested heavily in education making Zimbabwe's literacy rate one the highest in Africa. Hence, with many educated people there was high demand for jobs in an economy which was gradually crumbling.

The rate of unemployment was sky rocketing leaving many people with no sources of income.

Poverty levels escalated pushing the retrenched workers into the informal sector as a survival strategy. At independence, the urban informal sector absorbed about 10% of the total labor force as noted by Makaye and Munhande (2008). However in 1991, the informal sector accounted for 27% of the labor force and by the year 2004, the figure rose to 40%. Evidently, the informal sector was becoming a major source of income for many Zimbabweans. According to ILO (1991), the persistence of the informal sector is due to the inability of the other sectors of the economy that is agriculture, and rural activities on one hand and modern industry and services on the other to provide adequate incomes and employment to a rapidly growing labor force. In the year 1992, the country experienced a drought which heavily impacted on the already troubled agro based economy. Moreover, the government removed agro- subsidies making it difficult for farmers to purchase inputs amidst a rapid economic meltdown of the formal sector.

Simultaneously, the country saw an unprecedented informal sector growth in urban areas.

Poverty Assessment Study Survey (PASS) carried out by UNDP in 1997 found out that 60% of the population had per capita incomes less than US\$122 per year. They therefore could not afford basic needs. As people struggled to make ends meet, this fueled the rise of the informal sector. CZI (2005) noted that in 2000 alone 9 684 workers were retrenched. With 1 100 companies reported to have shut down between 1999 -2000, at least 90 000 people were

estimated to have been forced into the informal employment. As the economy continued to decline between 2006 and 2009 about 13 thousand workers were retrenched in the manufacturing sector. Mpemba (2010) noted that the unemployment rate was at 130% per year.

The government formed the Social Dimension of Adjustment Program as a way of countering the effects of the SAPS. It also formed the Social Development Fund with the main objective being to provide training and facilities for the retrenched persons wishing to start their own business. It is at this juncture that the government acknowledged openly the socio-economic significance of the informal sector. Ministry of National Affairs, Employment Creation and Corporation launched the Department for Employment Creation. Its mandate was to give loans to small businesses. The government went on to allow the development of non-residential activities and small business through the Regional Town and Country Planning Act of 1994. This Act saw small businesses such as hair dressing, tailoring, book binding, wood and stone carving being deregulated. The informal furniture owners were now employing about 5 to 10 people and those operating in welding, carpentry, tin-smithing, shoe repair and small car repairs were accorded special consent (Tibaijuka 2005).

The informal sector continued to have attention from the government in the late 1990s and this resulted in the drafting of the Millennium Economic Recovery Plan (MERP) through the Ministry of Industry and International Trade and the Ministry of Youth Development, Gender and Employment Creation. The Millennium Economic Recovery Plan was meant to remove all regulatory policies and introduce incentives such as tax relief, rate rebates and discounts on land purchase and services, access to finance through the provision of risk capital and corporate venturing, technical assistance in marketing skills development and training and institutional reform (GoZ, 2002). This led to the formation of the Ministry of small and Medium Enterprises

with a mandate to promote the formation and growth of small businesses. The period from 2000 to 2005 therefore saw the rapid expansion of the informal activities ranging from retailing, street vending, flea markets, to manufacturing in the home industries especially in the urban residential areas of Harare and Chitungwiza.

According to ZCTU (2005) 3-4 million Zimbabweans earned their living through the informal sector, while the formal sector employed 1.3 million. On a national scale, the local authorities generally failed to proactively engage and regulate the informal sector into small and medium business units (Bhalla et al, 1999). The informal sector was poor and there was restrictive licensing units, thus the informal workers, in an effort to evade these restrictive laws distanced themselves from the local authorities.

The growth of informal furniture industries in Glenview

Glen View is a low income high density suburb which is 30kilometers south west of the Central Business District (CBD) of the capital city Harare.

The residents of Glen View just like any other ordinary Zimbabweans turned to informal business after they had either faced retrenchment from their formal jobs or after failing to acquire formal employment (Glen View Furniture Complex Association Report, 2010). With the unavailability of basic commodities and other goods in the formal sector, the informal businesses

enjoyed a boom as they offered cheap affordable goods to the low income population. This saw the rapid growth of roadside vending of food stuffs such as vegetables and fruits and the establishment of home industries or backyard industries that deal in metal fabrication and carpentry.

In the wake of 2005, the government embarked on operation Murambatsvina, a clean-up campaign of all the illegal buildings, businesses, street vendors and flea markets in the country. In Glen View, this resulted in many people losing their only sources of income and some even were left homeless and were forced to go back to the rural areas. The Ministry of Small and Medium enterprises saw it necessary to help the informal furniture manufacturing people in Glen View who had been displaced by the government under Operation Murambatsvina, by establishing a well-organized and managed workplace.

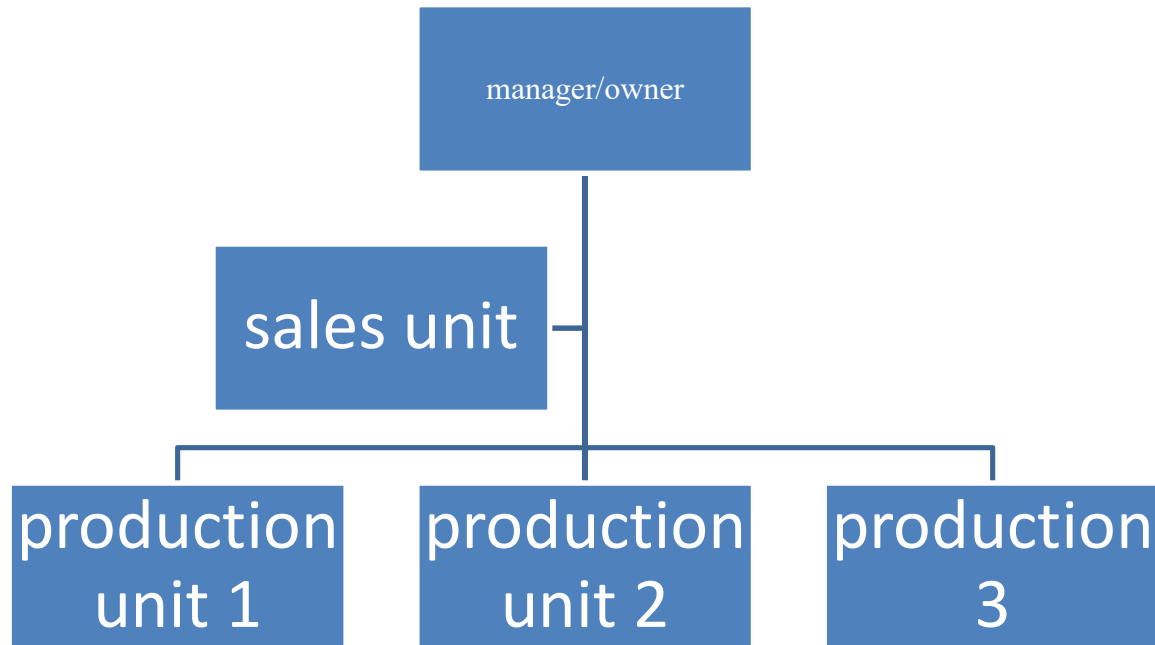
In November 2005 the Ministry of Small and Medium Scale Enterprise thus started the construction of the Glen View furniture manufacturing complex after receiving a donation to small furniture firms. Four hundred and eighty five factory shells with an average of twelve square meters each with no other fittings except water and electricity connections were constructed. The manufacturing complex is located on the outskirts of Glen view suburb and covers an area of about fifteen hectares. The land on which the complex was built belongs to the city of Harare but was put under the jurisdiction of Glen View District Office. After completion the factory shells were handed over to the city of Harare to be administered by the Glen View District Office arm of the Municipality.

With the growing unemployment in the country, the complex continued to grow outwardly without the approval of the local authorities. There are now three furniture manufacturing

complexes in Glen View, the main complex which is the original site established in 2005, the Caledonia Annexes and the Willow vale Annexes. The main complex is the largest and it accommodates about 60% of the total population of people participating in the informal furniture manufacturing industry in Glen View. The Caledonia Extension is adjacent to the main complex and covers an area of about 2 hectares accommodating about 30% of the total population of the number of people in informal furniture manufacturing in Glen view and the last one covers an area of about one hector and accommodated about 10% of the total population. The other two small sectors are mainly used as production sites by those who do not have space in the main complex. They then use the main complex as the display area for their finished products.

They also get the cotton staff that they use to manufacture lounge suites, dining room suites and beds from different informal traders. Most of the raw materials used by the SMEs at the center are sold just outside the complex, mostly by the informal traders at cheap prices or further away to formal retailers.

Characteristics of the furniture manufacturing complex in Glen View Area 8 *Typical structure of a small firm located in the Glen VIEW furniture manufacturing complex*



The running of business and ownership varies from firm to firm but most of the firms are managed by the owners except for a few who are run by appointed managers who then report directly to the owner. Majority of the firm owners are male and female owners only constitute a small percentage and they mostly deal in tailoring and supplying inputs such as glue, nails and varnish to the firms. Furthermore, it has been noted that all the small firms are not fully registered, they do not have Certificates of Incorporation. Thus they are operating as sole traders and in most cases as family owned business based on an operating license from the local authorities. However, there is also a certain percentage of the firms who are operating illegally without even a license from the local authorities. Most such firms are renting their workplaces from landlords other than the local authorities, paying a stipulated amount of money per month. The landlords then pay to the local authorities. Moreover, all management functions, including production, purchasing, sales, human resource management and training of apprentices are the responsibilities of the business owner. However, some have moved on to appointing qualified

and experienced salesman due to increasing competition as a result of many small firms in one place offering the same line of goods. Also the existence of the production site and the display site for finished goods at two different locations necessitated the need for a sales or marketing officer.

CONCLUSION

The informal sector of Zimbabwe is said to have constituted only 10% of the total labor force in the 1980s. This is so because of the restrictive laws that existed during the colonial era and also the fact the industrial and agricultural sectors was still functional providing employment. The economic policies adopted by the government in the early 1990s resulted in the decline of the formal sector. The economy was further strained by the adoption of the Economic Structural Adjustment Programs. Industries and companies embarked on retrenchment and some even closed down. The informal sector began to grow rapidly as the unemployed people ventured into the informal sector to earn a living. Thus it is clear to note that government's economic policies in the 1990s perpetuated the growth of the informal sector. However the government then came up with various economic reforms and plans to support the informal sector since it have become the highest employer in the country. The government constructed the furniture manufacturing complex in Glenview and established the Ministry of Small and Medium Enterprise to assist the informal industries. With the rapid growth of the informal industries, three furniture complex's now exist in Glenview. Thus the rising unemployment rate in the country due to poor economic performance have resulted in many people joining the informal sector.

CHAPTER TWO

Impacts of Glenview Area 8 furniture Industries on the urban livelihoods and economy

This chapter seeks to analyze the contribution of the furniture industries in Glen view Area 8 complex to the urban economy and livelihoods particularly of those residing in Glenview and those operating the informal furniture industries .This chapter also seeks explore various efforts made by the government in support of the Small and Medium Enterprises.

URBAN LIVELIHOODS DEFINED

Urban livelihoods refers to means of gaining or earning a living in the urban areas. It encompasses skills, income, asserts and activities necessary to get necessities of life such as food, shelter, clothes and also access to facilities such as health and education. Urban livelihoods differs from rural livelihoods in the sense that rural livelihoods are mainly agro-based and there is less money transactions involved in their day to day lives unlike in urban areas where the life of living is mainly commercialized. Thus the urban dwellers have found it difficult to acquire a decent way of living due to economic hardships which have left many unemployed and without any source of income. As a survival strategy many people in the urban areas resorted to informal business as a way of escaping poverty.

The furniture manufacturing complex in Glen View Area 8 was established in 2005 after Operation Murambatsvina. This cleanup campaign saw many informal road side and back yard firms being demolished by the government in an effort to get rid of the rapidly flourishing the rapid informal sector and shanty settlements. The clean-up campaign had devastating effects on the lives of many urban dwellers especially those who only depended on informal business for

their survival. Government and the city fathers realized that the informal sector has been sustaining the majority of the people in times economic hardships with a formal sector dying a slow death. As a compensatory strategy to the victims of operation Murambatsvina, the government with the help of the International Labor Organization (ILO) constructed a complex in Glen view where the informal furniture manufacturers were given an opportunity to partake their activities in a better organized manner. The complex has been in existence for almost a decade now providing employment for the retrenched workers, school leavers and school drop outs and it is also acting as supplement of income to those employed in the formal sector as their wages and salaries are very little. The living standards of the general Zimbabweans have been deteriorating since the introduction of the Economic Structural Adjustment Programs in the 1990s. There was poor social service delivery by the government, health and education sectors were the most affected.

Access to education and health facilities became unaffordable for many and this was an infringement of the basic human rights as alluded in the African charter which. As a survival strategy many Zimbabweans they had no choice but to join the informal industries. The beginning of the new Millennium the informal sector rapidly flourished in both urban areas and growth points, absorbing the unemployed populace. In order to assess the impacts of the informal furniture manufacturing industries in Glen view area 8, the researcher looked at the following

Employment creation

The informal furniture manufacturing firms in Glen View Area 8 has managed to create jobs not only for the residents of Glen View but also for the surrounding suburbs in Harare such as Budiro, Glen Norah and Highfield. Half of the respondents stated on a questionnaire that they have been employed in the informal business for more than a decade and 50% of the respondents joined the informal sector soon after being retrenched, 30% said they inherited the business from their fathers after they failed to secure employment in the formal sector and 20% ventured into the informal sector because they did not have the minimum required academic qualifications (5 Ordinary level subjects) needed in the formal sector for one to get a job. Due to harsh economic conditions the number of high school drop outs increased mainly because many parents, after being retrenched, could not afford to send their children to school. According to the Informal Woodworkers Association, a Harare based organization, about 18, 5 thousand people are currently engaged in informal carpentry in the country.

According to Killian Munzvadi a respondent, he did not manage to attend secondary education because of lack of money since he was living in the rural areas with his grandmother after the death of his parents. He then migrated to the city (Harare) in search of a job and found himself joining the furniture manufacturing industries in Glen View at the age of 19 in 2006. As to why he joined the informal furniture firms, he responded that he could not get employed in the formal sector because he had no academic qualifications. He is now happily employed at the complex and is living a more decent life as compared to the rural life. He further stated that is he now looking after his 3 young brothers and his grandmother.

Furthermore another respondent who refused to reveal his identity said that he was a former teacher at a secondary education teaching woodwork. He abandoned his formal job during the hyperinflation era 2007 to 2009 and started his own his furniture firm at the Glen View complex. He manufactures room dividers, wardrobes and other furniture products and now employs other two people as his business is growing.

The closing down of many industries and continuous retrenchments by companies left the economically active population jobless. The unemployed population found themselves in the informal sector. As the data collected from the questionnaires showed, Patrick Kajawu a respondent said that after being retrenched he was left without any source of income to support his family of four and as the economic situations worsens he started manufacturing wardrobes and room dividers at his home in GlenView to sustain his family.

“When I was retrenched in 1999 I had no option except to operate as a small enterprise from my home to try and make a living as I could not find employment since more industries were closing. I decided to use my acquired carpentry skills to manufacture furniture and even employed two other people as assistants at my small workshop,” he said.

The furniture manufacturing complex does not only create employment to those participating directly in the furniture manufacturing but also to other people in other forms of businesses such as, transport, food supplies (restaurants),suppliers of inputs and other materials. According to observation findings the researcher observed several open trucks and lorries packed close by the complex waiting to be hired by customers to ferry their goods home or waiting to be hired to carry finished products from production sites to the display site (the main complex). Moreover several small hand pulled carts are often seen parked within the premises waiting to carry small

loads for customers. Small restaurants have also been erected in the premises providing food, from breakfast, lunch and beverages.

These restaurants are popularly known as kwaMother. One restaurant owner, in an interview revealed that she has managed to survive the harsh economic times through selling mainly Sadza to the furniture manufacturers since 2009 after the introduction of the multicurrency and have managed to employ at least 5 people. After to why she found herself in this she explained, “after the death of my husband I was left to fend for my 5 children alone and since I was not formally employed I had no choice but to enter into the Sadza selling business”. This clearly shows that during the Structural adjustment programs and economic meltdown period the informal sector has been employing a greater number of people who are either victims of retrenchments or those who neither had the chance to be formally employed and also sustaining the widowed families.

Taking into consideration the current employment statistics between the formal and informal sector, one can clearly note that the informal furniture manufacturing industry has managed to absorb more than half of the unemployed as noted by ZIMSTAT Report (2000). With the current economically active population; that is 15 years and above was estimated to be 5.4million and 84% are in the informal sector and 5% in an unclassified sector.

Poverty alleviation.

The informal furniture manufacturing in Glen View has been in existence for more than a decade now absorbing the highest number of the unemployed population in the country. The informal sector have acted as a safety net in times of crisis by providing an alternative source of living in times economic hardships. In the case of Zimbabwe the informal furniture manufacturing has

managed to a greater extent to alleviate poverty by providing employment, where the formal economy is continuously crumbling down and more companies shutting down or retrenching.

Though participating in the furniture firms at Glen View is said to have a positive bearing on poverty alleviation some analyst have argued that it also traps the participants in poverty because their earnings are low and that there is no job security. Workers are subjected to ill treatment by their employers since usually they do not sign any contracts and they are not protected by the Labor Union.

Even so, the furniture business being conducted in Glen View has become a major source of income and livelihood to most urban dwellers who could not find employment in the formal sector. It has been noted from the data gathered from questionnaires that all participants are living a decent life and can afford to acquire basic needs such as food, proper shelter(houses) and access to medical and educational facilities. Thus the informal sector can be accredited for acting as a poverty alleviator in Zimbabwe.

The researcher learnt that not all participants at the furniture in Glenview are owners of the firms. Most respondents from the data captured on questionnaires stated that they are workers not owners. As to why they decided to be employed in the informal sector they responded that, they are getting better wages as compared with they would get if they were formally employed.

Dennis kajanga one of Chimeras employees said “haaa mdara hakuna mabasa the industries are closing each and every day, even if you get formally employed you will be given peanuts (low wages) unouraya munhu nenzara.” Thus, the informal industries have provided people with an escape route out poverty as it is absorbing the unemployed population and providing a better source of income to both owners and the workers.

Through participating in the informal furniture manufacturing, the people of Glen View are now able to cater for their children's welfare and giving them access to education and better facilities unlike before. The health and education sectors were mainly affected by the introduction of the Structural Adjustment Programs in the 1990s as the government reduced its expenditure on education and health and this greatly affected the already struggling general Zimbabweans who had no stable sources of income. The health and education sectors are the most important segments of any given economy. The education sector provides human capital and expertise to work in the different sections of the formal economy thereby increasing innovation and production output and in the long run fostering driving economic growth. Whilst the health sector is vital in providing medical facilities to the working population and the country at large. Thus a decrease in a number health people in a country greatly affect the production of industries and in the process affecting the Gross Domestic Product. Thus from the 1990s up to the year 2009 there have been poor health and education facilities characterizes by outbreaks of controllable diseases such cholera, typhoid and massive strikes and industrial action by teachers demanding better salaries country wide and this all can be attributed to the underperforming formal economy. However a lot of people migrated to the neighboring countries in search of greener pastures and those who stayed found themselves operating formal business as a survival strategy. Majority who joined the informal sector responded that they their lives changed for the better. Thus informal sector is acting as a source of income and this have impacted on their lives positively because they can now afford basic needs, acquire medical facilities and send their children to school.

According to Chimera a carpenter operating in the Glen View manufacturing complex, he started his business in 2004 and is one the victims of Operation Murambatsvina. He later purchased his shell at the complex and resumed his carpentry business in 2006. He has enjoyed a better life with the earnings from his business,

“I am now able to pay electricity and water bills, purchase all basic commodities needed at home and send my 3 children to school with the money I earn from selling sofas, kitchen chairs and wardrobes”.

He also said he managed to buy two residential stands and a car and he attribute all his achievements to his informal furniture business, he said being retrenched was a blessing in disguise because if he still was formally employed he could not have achieved all that.

Table 1 below showing total average production cost, earnings and profits per month

Product	Units	Production cost per month	Earnings/income per month	Profits
Wardrobes	8	\$800	\$1 440	\$640
Sofas	10 sets	\$2 000	\$4 000	\$1 500 - \$2 000
Kitchen chairs	5 sets	\$400	\$600	\$200
Total	23			\$2 840

Moreover, the informal sector in Glen view has greatly contributed towards the alleviation of poverty by providing employment and acting as a source of income. The informal participants in

the furniture manufacturing business in Glen View are now able to send to their children to school and provide them with proper medical facilities. Health and education is very vital as outlined in the Millennium Development Goals that by 2015.

To add on education is the easiest way for one to evade poverty especially in this modern world acquiring a job without any academic qualifications is very difficult. From the questionnaires received 50% of the respondents stated they have been able to send their children school and some even can afford to send their children to private schools with the earnings from the furniture manufacturing business, which they have been failing to do when they were formally employed. According to ILO (2005) eradicating poverty in sub Saharan Africa continues be the largest challenge for the community today.

According to Gumbo (2000) an economic analyst, Zimbabwean's informal sector is playing a crucial role in reducing poverty and unemployment. He said more than half of the economically active population is informally employed but it is difficult to measure its contribution to the economy as a whole, since they are not registered and they do not pay taxes or revenue so they contribute little to fiscus but the sector has a positive impact on reducing poverty levels at a community level.

However, although the informal furniture manufacturing is acting as a poverty alleviator in the country. The researcher observed that the informal furniture industries also pose a threat to the environment and to the health of the people due to the unhygienic activities of these informal furniture firms. There is improper disposal of waste, a lot pollution of both the air and land. Unused oil, saw dust and other unwanted materials are irresponsibly thrown away. The uncollected waste provides a breeding space for mosquitos and other disease spreading vectors

thereby putting people's lives at high risks of disease outbreaks. Tsiko and Togarepi (2012) found out that waste collection dropped from at least 80% (in the mid-1990s) of the total generated to as low as 30% in some large cities and small towns in Zimbabwe while in Glen View it showed that it had dropped to 10%.harare municipality has to the duty of waste disposal and removal and it obliged by the Environment Management Agency (EMA) ensure adequate collection and monitoring of solid waste thereby by not performing their duty they can be sued. Moreover from the interviews conducted many respondents seem to be worried about the unavailability of proper water supply and sanitation who felt that their constitutional rights are being violated. According to the constitution of Zimbabwe, every citizen have got the right to safe clean environment and safe clean drinking water The researcher also observed that the toilets at the complex are not safe and clean and they are no longer being used .This poses a health risk to the local people.

Impact of informal furniture industries on the urban economy

The impact of the informal furniture firms in Glen View to the urban economy is difficult to measure given the nature of the business. Even though it is difficult to measure the informal sectors contributions to the economy because these business entities are unregistered and lack traceable records, these entities sustains many lives in Zimbabwe and the economy as a whole as noted by Robertson Newsday article 21 march 2013.the earnings from informal furniture firms have contributed much to the development of the urban economy

The urban population particularly the victims of Operation Murambatsvina have managed to purchase residential stands from the local authorities and this curbed the flourishing of shanty settlements, moreover some firms owners have managed to invest some of their profits in the

transport sector by buying commuter omnibuses thereby reducing the transport problems in the country and also benefiting the overall economy as a whole through revenue collection. The local authorities also are benefiting from these informal furniture firms by collecting monthly rentals and registration fees. Thus, the money collected from these small furniture is used to improve and maintain infrastructure such as roads which will then allow the smooth flow goods and people. Another important contribution of the informal furniture manufacturing business is reducing crime rates in and around the city by creating employment.

It is also argued that the informal sector in Zimbabwe contributes to the Gross Domestic Product (GDP) and according to the national figures as presented by the finance minister Cde Patrick Chinamasa, the informal sector contributed about 20% of the GDP in 2013 alone. He further commented that for this sector to grow it requires a lot of funding and its enlargement takes time but it plays a vital role in turning around the fortunes economy. The business Association of Zimbabwe reported that an estimate of 7.4 billion is circulating in the informal sector. Although large sums of money is circulating in the informal sector the economy as a whole is not benefiting from it since most of it is going unbanked. The informal business people have lost their confidence in the banking sector since they lost large sums of money in 2009 when their bank accounts were frozen during the introduction of the multicurrency.

The researcher observed that, constitute customers for the formal sector. They purchase some their raw materials and tools in the formal sector. Most respondents responded that they buy their tools such hammers, hacksaws, nails and form rubbers in different hardware's such as Mashco, United Builders Merchants (UBM) and Farm and City. Adding on large companies which supplies timber such as Allied, Mr Maplanka and QMaster have enjoyed a boost to their business with the high demand of timber from the informal industries. Due to high demand of timber

some people are only specializing in selling timber to the informal furniture manufactures. They buy timber in Inyanga and then sells at the doorsteps of the carpenters at the Glenview complex.

There is a strong relationship between the informal sector and the formal sector and these two are interdependent on each. The SMEs produce high quality furniture with a ready market in Harare and surrounding areas including some furniture shops like Callans, Modern furniture, Downtown furniture and Station Furniture. According to the Herald Newspaper (2013), some departmental shops in and around Harare buys finished products such as beds, Sofas room dividers and wardrobes at the Glenview furniture complex at night to avoid being seen by the general people and they put fake stickers of South African brands on the products to lure customers. Thus the informal sector contributes indirectly some significant amount to the fiscal revenue through Value Added Tax (VAT) by buying of tools and raw materials from the formal sector. The informal industries have also provided a market for the formal sector where many manufacturing industries are no longer functional. Thus they can't be ruled out completely as not contributing to the urban economy in a positive manner. SMEs from the Glenview Furniture Complex also show their products at the Zimbabwe International Trade Fair (ZITF) and Harare Agricultural show by exhibiting their products at the trade fair and Agricultural shows they attract customers and also foreign direct investments (FDI).thereby increasing their market base in and outside the country. More so FDI promotes the growth of the Small and Medium Enterprises through capital injection.

The informal industries also contribute to the Gross Domestic Product (GDP) through import duty. Many responded stated that they purchase of their raw materials such as cloth, leather, form rubbers and springs in South Africa. According to Givemore Machingambi a respondent, "every month I go to South Africa to buy cloth and leather material for sofas, form rubbers and springs

for the beds”, as to why he purchase his raw materials in South Africa he said the prices there are relatively cheaper and they sell better quality materials as compared to those manufactured here. Thus if the informal industries are supported well they can help the country in achieving a positive balance of trade through importation of raw materials and exportation of finished goods in the end this improves the living standards of living of the people through better social service delivery by the government. The researcher also observed that there is a strong relationship between the formal sector and the informal sector. These two sectors co-exist as supported by the Structuralism theory they can never be separated. The relationship between the formal sector and informal sector is playing a crucial role in the development discourse as some of the unbanked money circulating in the informal sectors enters into the formal sector contributing to the economic development through VAT.

However through an interview with the Zimbabwean newspaper (2014), Mugaga said no economy can be built from an informal base, there is need for thriving formal industry, space for graduates from universities and colleges and established business to attract foreign capital. On another important aspect the informal industries contributes positively to the urban economy by curbing crime rates. The informal sector has managed to provide a source of living to many Zimbabwe and this reduced crimes such as theft, armed robberies and prostitution.

Efforts made by the government and other stakeholders in promoting the growth of SMEs

The informal sector have been playing a major role in the economy of Zimbabwe since the gaining of independence and this sector has rapidly flourished throughout the country despite the existence of some restrictive laws guiding its growth. The government have recognized the importance of the informal sector on the livelihoods of the general people and also the potential that this sector have on driving economic growth and empowerment. Various efforts have been made before towards the promotion of the growth of the informal sector such as the establishment of the International Deregulatory Committee, SEDCO, MERP, and Ministry of Small and Medium Enterprises and other Non-Governmental Organizations like Practical Action, EU and the ILO have also helped in promoting the informal sector to realize its full potential. The private sector such as banks have also joined hands with the government and the other various stakeholders in promoting the growth of SMEs.

The Ministry of local Governance, Public Works and National Housing established the International Deregulatory Committee in 1991 which had the mandate to identify laws and by laws that were hindering the growth of SMEs. During the colonial era there was various laws which were put in place which restricted the growth of the informal sector. Thus after gaining independence the government realized how vital the informal sector was towards economic and social development and thereby tried to remove all those restrictive laws which were hindering the growth of the informal sector. The first step taken by the IDC was to stop the issuing of operating licenses because they had noted that the way these license are being issued was not transparent and it was characterized by corruption and nepotism as some people were struggling

to get those licenses even if they have the money. Another problem with operating licenses was that they had to be renewed monthly or annually this had a negative impact on the informal business as they had to pay money to the local authorities time and again. Thus many people decided not acquire the licenses and operate illegally resulting in the government not gaining any revenue from the informal sector. Operating licenses were then replaced by a system whereby each informal trader or firm was supposed to register his or her business with the local authorities. In the past operating any business from the street roads or commercial places was restricted but the committee later agreed to allow people do their business along street roads and any commercial places.

However the Deregulatory committee passed out that these businesses can only be prohibited if they pose a threat to public health. The removal of restrictive laws allowed informal traders to operate in busy and strategic places near customers such as in the Central Business District (CBD).

In 2003 the government established SEDCO and its main objectives was to give financial support to the SMEs. This is after discovering that the SMEs main challenge hindering their growth was lack of capital the government formed SEDCO in an effort to financially assist the informal sector. Though it did not positively foster the desired development due to lack of funds in the government coffers and also lack of support from the private sector and donors. Moreover with the beginning of the new Millennium the government took another step by coming up with Millennium Economic Recovery Plan (MERP) to complement the works SEDCO in an effort to alleviate poverty and put up with investments. The Millennium Economic Recovery Plan was meant to remove all deregulatory policies and introduce incentives such as tax relief, rate reductions and discounts on land purchase and services, access to finance through the provision

of risk capital and corporate venturing, technical assistance in marketing skills development and training and institutional reform Government of Zimbabwe (GoZ) (2002). This was after the realization that the informal sector have the potential to drive economic and social development but it was disorganized and lacked proper marketing and business management.

The government took another step forward by establishing the Ministry of Small and Medium Enterprises. This ministry have offices established country wide at levels from district, provincial, village and ward level and also at national level. The Ministry was specifically established with a mandate to promote and foster the development of the informal sector. According to UNDP (2010) SMEs has shown to impact positively on economic growth, employment and poverty alleviation. Moreover the government realized that can play a vital role in driving economic growth as it has the potential to contribute about 60% of GDP and more than 50% of the employment. The establishment of the sub offices at district, village and ward level fosters bottom up approach towards the policy formulation concerning the informal sector. Another bold step taken by the government was the amendment of the Procurement Act, this amendment saw the creation of a quota system for the informal industries. Thus the informal industries 25% in all tenders and contracts to supply state goods and services. This quota system was mainly put in place to encourage the growth of the informal sector by increasing their market base and also their contribution to the national economy. Land was also set aside only for the purpose of constructing workplaces for the informal business and local authorities were required to give title deeds to anyone who purchased land. The government allowed the issuing of title deeds after realizing that the informal traders were having problems in accessing loans from banks who demanded collateral security. This have a positive impact on the expansion of

the informal sector since they can now access loans from banks using the land as collateral security.

Lack of knowledge and ignorance was also seen to be a major barrier to the expansion of informal sector. It was discovered that most of the people who are participating in the informal sector do their business only for subsistence under estimating the potential this sector in driving economic and social development. In a move to motivate them to take their business serious the Ministry of SMEs carried out shows and awareness campaigns to educate SMEs about how crucial and important in terms of employment creation, revenue to the state and other things. Furthermore ZIMRA in conjunction with some Japanese experts and the Ministry of Small and Medium Enterprises have joined hands in coming up with a program to formalize the informal business to increase revenue influx as it has been noted that about 7.4 billion dollars is circulating in the formal sector whilst the country is facing a liquidity crisis.

The Ministry of Youth Development, Gender and Employment Creation was established and it was given the overall responsibility to be answerable to all the employment problems of the youth and the management of the informal sector in the country. A development plan was crafted which focused on four main areas that is the educating and training of entrepreneurs in schools and establishing of Vocational schools, and provide access to capital to the unemployed youths. The ministry of Youth Development Gender and Employment Creation have been giving loans to the youths who want to start their own development projects. The youths are required to write a business project proposal and before they receive their funds through CABS bank. This initiative benefited a lot of unemployed youths in the country. The researcher interviewed one of the beneficiary of this program and he responded that he received a loan amounting to 3 000 dollars which he injected to the already existing furniture firm he inherited from his father and he

confidently said this boosted his business as he have managed to buy advanced electrical equipment which increased his output and his business is continuing to grow and he is planning to employ other people.

However, the Ministry Youth has failed to offer more capital loans to the youths as some of the youths are not paying back the loans as per agreement leaving the Ministry in debt to the CABS bank. This has been a major setback towards the employment creation and promotion of the informal sector.

CONCLUSIONS

The role of the informal industries towards economic social development is still a debatable issue among scholarly circles and various economic analyst worldwide. With high rate of unemployment in the country staggering at 80-90%, more companies continuing to close down and the government failing to resuscitate the collapsing economy. The informal sector has become the major source of livelihoods to the retrenched unemployed economically active population. The informal furniture manufacturing industries in Glen View have contributed positively to a greater extent in sustaining the urban livelihoods and also alleviating poverty. This sector also contributes to Gross Domestic Product (GDP) though it cannot be measured the researcher noted that they contribute through Value Added Tax (VAT) when they purchase goods the therefore if they are fully utilized and supported they can turn around the economic fortunes. The government has created various Ministries and formulated various policies geared towards the development and growth of Small and Medium Enterprises after realizing the potential it have on economic development. However though the informal sector have managed to act as a poverty alleviator and employment creator. Their activities particularly waste disposal

have negative impacts on the environment and lives of the people. Unwanted solid no solid materials are irresponsibly discarded and this poses a health risk as this dumpsites creates a breeding grounds for diseases.

CHAPTER THREE

Challenges faced by informal industries and recommendations to the informal industries and to the government.

The informal industries in Glen View Area 8 have been in existence for nearly a decade now sustaining the majority of the urban dwellers in times of economic hardships. Since the establishment of the manufacturing complex in 2005 these informal furniture firms have been acting as a poverty alleviator and employment creator in a country faced with high unemployment rate. However, these informal furniture firms have failed to realize their full potential due to several challenges they face in operating their business. The growth of these informal industries into bigger and well established industries have been hindered by problems such as stiff regulation from the local authorities, lack of working capital, lack of skills, lack of advanced technology, stiff competition from formal producers, limited access to markets, lack of managerial skills, poor record and book keeping, unreliable power supply and poor water supply lastly the liquidity crisis in the country have also negatively impacted the informal businesses. Therefore, this chapter seeks to identify various challenges faced by the informal furniture manufactures in Glen View Area 8 and suggest recommendations on how the government can fully utilize the potential that the informal sector has towards driving the economic and social development.

This chapter also seeks to make recommendations to the informal furniture manufactures on ways to promote sustainable development and growth of their firms into bigger and well established industries.

Challenges faced by informal industries in Glen View Area 8

SHORTAGE OF OPERATING SPACE

First and foremost, the major challenge being faced by the informal furniture manufactures in Glen View is proper or adequate operating facilities. Land is one of the most important part in the means of production. However, the uncontrollable unemployment rate in the country have resulted in the number of people venturing into the informal sector to rise each day and the complex shells have long reached its carrying capacity which is about 485 shells. There are over one thousand people operating in the furniture complex which is twice the total carrying capacity of the complex or more. Many respondents have expressed their concern over the shortage of space as this is limiting their production and growth. Due to limited space in the production shells the main production complex is now being used as display sites or storerooms of finished goods and machinery. Due to the limited space available inside it the carpenter could not freely carry out their production processes. According to Chipendo, an informal entrepreneur, “I am now forced to produce a few goods and wait till they are bought because of the limited space available at the complex”. This has also negatively impacted on his business since by reducing his production. Moreover the unavailability of space at the complex established by the government has forced people to use unauthoritised land nearby the complex and they are in constant fear of the second Muramabatsvina scenario. Thus without proper infrastructure to operate on the informal industries are always confined and they will never expand or grow into bigger enterprises.

LACK OF CAPITAL

Lack of working capital is another stumbling block to the growth of the Small and Medium Enterprises in Glen View .The researcher have noted that the lack of capital is the major challenge being faced by the SMEs in Glen View. Lack of capital is hindering the growth of these firms because without enough capital they cannot acquire advanced tools and machinery

Thus most entrepreneurs are forced to use traditional tools which are time consuming and not effective as compared to modern machines. Informal industries have little or limited access to financial assistance from both the government and the private sector. This is mainly because their business is viewed to be too risk to invest on. Moreover, most the informal industry operators have found it difficult to access loans from banks and registered micro finance institutions because these financial institutions and banks require collateral security first before processing a loan. Many respondents have pointed out that the lack of valued property or tittle deeds to attach as collateral security have made it difficult to have access to financial loans to boost their business. Though some have cited that they can get loans from BancABC but only after they have managed to came up with a guarantor who will be liable to pay back the loan in the event that the actual borrower has failed to meet the terms and conditions of the loan agreement. However guarantors are hard to come by as many people are afraid to incur the burdens of paying back the money they never used. Thus, the growth of these small firms can never be achieved if the barriers to financial access are not removed. Moreover, lack of access to finance have some knock on effects such as the inability to acquire better working premises and advertising agents such newspapers and television as noted Bari et al (2005).

LIQUIDITY CRUNCH

The formal economy has been hard hit by the liquidity crunch which is forcing more companies to retrench and some even shutting down operations. Informal industries have also reported to be being affected by the liquidity crisis. The liquidity crunch have not only forced reduced product volumes but it has also forced them to lower their prices so as to attract customers and some cases they are forced to sell at very low prices earning less or no profits at all. According to Chimhanda, a sofa and wardrobe producer at Glen View manufacturing complex “the liquidity crisis have heavily affected my business as at times I am forced to sell at very low prices so that I just have money to sustain the family and pay bills, he said his sofas cost about \$400 but he sometimes sells them at \$350 after incurring production cost of about \$200. Thus, he is left with \$150 dollars to pay his employees and other bills leaving him with little to invest. Therefore, the SMEs are failing to expand to due to liquidity crisis which is currently being experienced in the country. Thus without savings and investments no economic development can be achieved as postulated by the principles of development that savings and investments are vital in the economic development of any country.

COMPETITION

Globalization has resulted in the opening up of international borders and this has subjected local small informal firms to stiff external competition from foreign industries. The look East policy in particular which was adopted by the government after its relations with the Western countries had gone sour, has resulted in the influx of cheap China made products in the country thereby this forces local firms to reduce the prices of their goods to cope with these foreign cheap goods. Due to their weak financial muscle the local informal firms cannot withstand the stiff

competition they face from bigger industries and this is hindering their growth. Limited export opportunities negatively affect the growth of Small and Medium Enterprises as noted by Tustin (2001)

LOW MARKET BASE

Furthermore, SMEs have limited access to markets and without market any business is most likely to collapse. The SMEs main customers are the lowly income groups and a few big furniture shops within the city of Harare. Thus the informal firms not only faces competition from foreign companies but from themselves also. As most interviewees reported that the competition at the complex have become so intense to the extent those with the negotiating power are the ones who are selling more goods. She further stated that some have even employed touts to market and advertise their products so as to increase sells.

However competition among producers leads to improved better quality goods and customers enjoy relatively low prices. The informal manufactures lacks the capacity to attract foreign markets as compared to large companies. According to economics of development principles markets are very important in the production process. Bari et al (2005) is of the view that markets controls the production output, thus the greater the demand for goods in the market the higher the production volume of the goods. This relationship between production and demand influences the growth of any business.

Adding on, another contributing factor to the failure of these informal industries to compete in the market battles is their inability to make an analysis of their competitors. In the modern world, the running of a business is always about outclassing your opponents by finding their point of weakness and make them your strength. The informal firm's operators lack the expertise to

thoroughly analyze what's happening on the global markets therefore they tend to lag behind in terms of any developments or improvements of certain products. They are always imitating other producers instead of being innovative so that they will provide quality goods which other competitors are not supplying.

LACK OF BUSINESS MANAGEMENT SKILLS

Informal furniture manufactures at Glen View complex have been noted to be lacking professional managerial abilities or skills. Management is very crucial in the running of any business. The management department deals with the day to day running of the business and it has the responsibility over cash flow and cash out flow and balancing of accounting books. Therefore, the growth or downfall of the business is heavily dependent on the management department. Due to their limited resources, informal industries fail hire professional managers to run their business.

The researcher have noted that most firms owners at the furniture complex in Glenview are also the managers of the business and the majority of them never attended any business management trainings. When asked if they keep any records of their business activities and performance, 20 out of 50 responded yes. This shows that a large number of informal operators do not do any record keeping and this affects their business because in the event of fraud cases it is hard to trace and it even takes time to be noticed. Moreover, there is also evidence of lack of cash flow management abilities. Therefore there is need to balance between cash inflow and cash out flow so that the business is always liquid. Due to lack of management expertise, the informal industries face the risk of making uninformed decision which may affect their businesses. Lack of education has been noted to be the major reason behind the unprofessional and poor management of informal

industries. More so, the majority of the informal business operators are very ignorant of the importance of employing a professional manager to run their business and to them it is a waste of money and resources. As a result of poor management the informal industries operators are exposed to unnecessary expenditure. Instead of making savings and investments so that their firms will grow, they tend to unnecessarily squander the profit living a luxurious life. The researcher observed that most of the SMEs owners at the Glen view complex owns one or two ex- Japanese cars. It could have been wise for them to buy a big truck which is capable of carrying inputs and to make deliveries to the local customers in the long run cutting hiring cost and coping up with competition by offering delivery services which are bigger brands.

POOR ELECTRICITY SUPPLY

Unreliable power supply is another major challenge drawing back the informal furniture firms. Electricity supply in the country has been characterized by massive load shading with the electricity said to be available only after working hours. This has negatively impacted on the production output as working hours are reduced due to unavailability of power. Many have resorted to the use of petrol or diesel powered electricity generators and this is however costing them a lot of money because they are required to pay for the electricity bills and at the same time buying fuel for their generators. The unavailability of power have greatly affected those who cannot afford to buy generators as they are forced to use manual traditional tools which are slow, time consuming and require a lot of energy. Most interviewed participants at the complex expressed concern over the load shading stating that it is drawing the production activities behind, they are failing to meet deadlines since they sometimes spend the whole day doing nothing because some certain stages production requires electricity powered machines to complete. This is affecting particularly those in welding sections.

POLITICS

Furthermore, the complex is heavily politicized by the ruling party supporters and for one to freely operate in it he/she must be fully devoted to the party and must be a holder of a valid Zanu Pf membership card. Harassment has been reported at the complex with people forced to shut down their business to attend state or party occasions. Time and again, party members request money to fund party functions from those operating at the complex and every day each informal operator is forced to pay \$5 to ZANU PF Youths. According to Newsday (2014) ZANU Pf youths stormed the Glenview furniture complex to punish carpenters and all those who operate at the complex for not attending the burial ceremony of national hero Starnely Sakupwanya (2014). Many respondents reported that this politicization of the complex is distracting their businesses as they constantly called to political party meetings and gatherings, leaving their work unattended.

POOR SECURITY

Security at the complex is very limited, there has been high cases of theft reported. Given the limited space available in the shells, they are forced to leave some of their goods outside the shells unattended. More so, the finished goods are left exposed to different kinds of weather such as rain and direct sunlight. Therefore the goods sometimes lose value after being affected by weather. Another major issue raised by the furniture manufacturers at Glenview complex is lack of insurance cover. Thus in the event of any unforeseen disaster occurring they are left with no source of income since usually their businesses lack savings and investments.

CONCLUSION

The informal furniture firms in Glenview have positively impacted on the urban livelihoods and urban economy in general. As the formal economy is evidently struggling to offer employment, many people have found themselves in the unregulated business. Since more industries and companies continue to shut down and retrench workers due to economic hardships. The informal sector has managed to absorb quite a number of the job seekers and the retrenchment victims. Working in the informal sector have provided sources of income for many urban dwellers in a time where the formal wages or salaries are not favorable. The living standards of those operating at the furniture firm in Glen view have improved. They are now raising enough money to feed their families, send children to school and pay all bills, though the formal economy is not performing well poverty levels seems to have been kept at check by the informal business. However even though these informal firms have been able to absorb the employed labor force in the country it is facing quite a number of challenges which is drawing them back from expanding into bigger firms.

Recommendations

Various challenges and problems drawing back the growth of informal furniture firms in Glenview have been identified above and therefore the researcher have suggested recommendations to the government on how best they can help these firms realize their full potential and how they can work together towards the realization of the socio-economic development.

First and foremost, there is need for favorable policy formulation based on the bottom up approach and removal of regulatory laws. The existing laws are only drafted and formulated without full consultation of the informal industries operators. This explains why many projects and policies targeted against informal industries have failed because they have faced massive resistance and lack of cooperation from the people it is being applied to. The major challenge stifling the growth of informal industries is the presence of restrictive policies. The registration process and the heavy burden of paying taxes have been noted to be not flexible and favorable and have forced many informal industries into hiding in an effort to evade these laws and policies. Therefore the government needs to revise its laws and policies and come up with policies which promotes the growth of the informal industries.in addition the government must formulate policies which attract Foreign Direct Investments (FDI) so as to inject capital.

Lack of business and managerial skills have also been noted to be negatively affecting the growth of the informal industries. Therefore, there is need for the government to provide trainings to the entrepreneurs as to enhance their understanding of running a business. Trainings can be done through workshops or by setting up vocational training schools in the country.

The informal industries have limited access to financial, assistance and this is one the major factors why they are not expanding into bigger registered firms. Thus for any business to grow there must be capital accumulation. Informal industries do not have access to financial loans from banks and other micro financial institutions. The government must therefore come up with strategies to fund these small firms. These firms must also come together and form one common pool when they save their money and lend to each other since some do not have the collateral security to approach banks for loans.

Furthermore, the government must assist in acquiring the advanced technology for the informal industries. The reason why many small firms are remaining small is because of the lack of technologically advanced machines. The more advanced the machines the more production output and the less the manpower is needed to carry out a task.

There is also need to seriously enforce the revenue and tax collection laws because since independence the government has always been talking of plans to formalize and start revenue collection from the informal the informal industries. However little has been done in as afar as revenue collection from these small firms is concerned.as it estimated that \$US7.4 billion circulating in the informal sector, thus if utilized they can contribute greatly to the Gross Domestic Product (GDP).The government must construct more complexes as the number of people joining the informal furniture manufacturing in Glenview is increasing. The government must construct more and bigger workplaces. The complex established in 2005 have long exceeded its carrying capacity resulting in some people operating at undesignated areas.

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APPENDICES

APPENDIX 1

Interview guide for furniture manufacturing participants at Glenview complex.

I am a student at Midlands State University studying for a Bachelor of Arts (Honors) Degree in Development Studies. The research is mainly focused on how the informal furniture production have contributed to your lives socially and economically in times of economic hardships. All information gathered will be used for academic purposes only.

1. Gender of respondent?
2. What is your age?
3. How long have you been involved in furniture manufacturing?
4. What is hindering you from getting a job in the formal sector?
5. How much do you earn on weekly basis?
6. Can you acquire loans from banks or any other micro finance institutions?
7. How effective is the informal industries in employment creation?
8. How effective is he informal industries in poverty alleviation?
9. Where you formally employed before?
10. Why did you join the informal sector?

THANK YOU

APPENDIX 2

QUESTIONNAIRE FOR PARTICIPANTS IN THE FURNITURE MANUFACTURING INDUSTRIES IN GLENIEW AREA 8

Through this questionnaire, the researcher wishes to undertake a study in partial fulfilment of the requirements for the BSc in Honors degree in Development Studies with Midlands State University. The researcher aims to analyze how the informal sector have contributed towards the urban social and economic development particularly the furniture manufacturing industries in Glenview Area 8.

INSTRUCTIONS

- Do not write your name on the questionnaire.
- Ignore a question if you certain of the response
- Please tick were appropriate.

SECTION A: DEMOGRAPHIC DATA

1. Sex F
M

2. Age

3. Professional or educational level: completed primary education
Completed secondary education
University or college

4. How long have you been working in the informal industries
- a) 1-5 years?
 - b) 5-10 years?
 - c) 10 years and above?

5. Are you formally employed
- YES
- NO

SECTION B: HOW HAVE THE INFORMAL INDUSTRIES IMPACTED ON THE URBAN LIVELIHOODS.

7. How much do you earn weekly?

.....

8. What has been the greatest challenge to your advancement?

.....

9. Since you started working in the informal sector has life been any different?
- YES
- NO
- Not much

- What made you choose the sector as a source of income?
- lack of formal employment
 - Incomplete education
 - Better income

APPENDIX 3 GEOGRAPHICAL MAP OF HARARE AND GLENVIEW



APPENDIX 4 PICTURES OF INFORMAL INDUSTRIES AT GLENVIEW MANUFACTURING COMPLEX.



