

THE INFORMAL SECTOR AND HUMAN CAPACITY BUILDING FOR SUSTAINABLE DEVELOPMENT IN MASERU

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Abstract

The paper argues that with the increasing urbanization and unemployment in Maseru, the proliferation of the informal sector is visible across the city, but it only serves to mitigate the severity of poverty in poor households by enabling them to meet survival needs rather than inducing savings that can be translated into human capacity building through education and skills. It is through savings that people can be able to finance their development in terms of acquiring knowledge and skills critical to their wherewithal in society. The paper analyses the intricate nexus between the informal sector and human capacity building and sustainable development in Maseru, the capital city of Lesotho. The paper addresses this missing link in the literature, at the same time showing how important the informal sector can be in improving people's lives through capacity building and eventually lead to sustainable development. Communities of Thibella, Motimposo and Sekamaneng formed the sample in this study where 120 poor households which participated in the informal sector were interviewed. The paper therefore exposes the intrinsic problems of the informal sector in Maseru for failing to make realizable changes in the lives of the urban poor population which often participates in the sector

Keywords: informal sector, human capacity building, urbanization, unemployment, sustainable development.

INTRODUCTION

This paper argues that with the increasing urbanization and unemployment in Maseru, the growing informal sector serves as a strategy for the poor urban population to only meet their daily survival needs, with no effect on their capacity building, thus threatening sustainable development. In Lesotho, out of the total of 20 000 job-seekers that enter the labour market annually from different institutions, including tertiary, the formal sector absorbs only 10 000. The remainder is either unemployed or self-employed in the ever-growing informal sector. About 9 percent of the total labour force is employed in the formal sector, 20 percent is employed in the informal sector, and 15 percent is employed in the South African mines. The unemployment rate is averaged at 22.5 percent and is found to be more severe among youth who form the largest proportion of the population (Demographic, Labour and Social Statistics Division (DLSSD), 2002).

Currently, Lesotho has graduates queuing to find jobs in the industries while others claim to be working as domestic workers in South Africa. This trend of increasing unemployment has been observed across Africa where the worst levels of unemployment are among the urban youth, who are said to constitute 60-75 percent of the unemployed, though they account for only one-third of the labour force (ILO-JASPA, 1992). The informal sector has been vital to the sustenance of many poor households in the developing countries, mainly through self-employment but often without much influence on the human capacity building. The paper focuses on the three communities of Thibella, Motimposo and Sekamaneng in Maseru and exposes the implication of the informal sector on human capacity building and sustainable development.

THEORETICAL FRAMEWORK

Studies show that human capacity building remains critical to sustainable development. They highlight a need for governments and institutions to help people so that they can help themselves. Strengthening people's capacity to determine their own values and priorities, and act on these, is the basis for development (Eade and Williams, 1995:9). Capacity-building promotes social and economic change, hence it is important to undertake a long-term investment in people and their organizations and improve processes through which they can better shape the forces that affect their lives (Eade, 1997:3). This study articulates on these debates and further identifies constraints faced by women and men in the informal sector of Lesotho which obstruct them in realizing their ability to overcome their exclusion and suffering. This is important as development is about empowering people to bring positive changes in their lives. It is about personal growth with public action; about the realisation of human potential of challenging poverty, oppression and discrimination; and it is about transforming lives and transforming societies (Eade and Williams, 1995:9).

Much of the literature indicates the growth of the informal sector employment over time in developing countries' urban areas (see Allen, 2000; ILO, 2000; Chen, 2003 and Chen, Jahabvala and Lund, 2002). In many developing countries, planned economic development has not created sufficient jobs to reduce unemployment or erode the informal sector. However, the informal sector suffers problems where policy makers and governments ignore its activities. It is frequently unregulated, rarely supported and sometimes discouraged. Despite all these problems, the informal sector has continued to witness a tremendous growth and it serves as a response to economic crisis. Retrenched workers usually move into it and households often need to use it to supplement incomes earned in the

formal sector (ILO, 2000). With increasing urbanization in many countries the informal sector is increasingly preferable employment option as the returns from this activity are more compared to the formal sector and have increasingly encouraged even the formal sector workers to participate in the informal sector to make ends meet. For example, in Harare formal sector salary can barely cover rent, food and school fees and so the informal sector entrepreneurs perceive themselves as relatively reach as they can afford to meet all these expenses (Godwin, 2010).

Much of the earlier literature on the informal sector used the dual economy approach that maintained that formal and informal sectors are autonomous entities, operating within different labour markets, with little or no relationship between them. The two sectors are treated as autonomous entities because major improvements are seen and directed to the public formal sector and the informal sector, which performs a major role in absorbing the growing labour force, is not recognized (Alejandro, Castells and Benton, 1989). For instance, in Lesotho the government regards the relatively small tourism industry as a major service, while failing to recognize the service sector that dominates the informal sector. The sector is not only important in relation to job creation but again it helps households finance the capability building of household members eventually reducing poverty in the long-run, thus enhancing sustainable development.

Currently, the informal sector represents a central economic activity in the country due to the structural reformation of the country's economy caused by the following factors: decline in agricultural output, retrenchment of migrant labour from mines in South Africa, decentralization, urbanization, job insecurity in the formal sector and new entrants into the labour market (Ministry of Planning in Economic Options for Lesotho, 2011 and Global Policy Network, 2004a). Equally, the 1998 political instability in the country resulted in massive destruction of property, a drastic fall in the overall economy and loss of income among the business community. All these contributed to economic recession and loss of jobs by many Basotho. The informal sector will thus continue to grow as many people are losing jobs with the closure of some textile industries in the country (Bennet, 2006). The growth of this sector is evident with the increasing urbanization and unemployment rates faced by Lesotho, particularly Maseru. The proliferation of the informal economy since the 1980s is directly related to the increase in urbanization and unemployment. However, the link between the informal sector and human capacity building has been one of the gray areas in the literature on Lesotho especially Maseru during this urbanization era. This paper intends to fill this missing link.

RESULTS AND DISCUSSION

Street vending is one of the most visible segments of the urban economy of the Third World countries (Roever, 2007). In Maseru, the informal economy comprises informal traders who sell goods and services outside

business premises. While some work in large concentrations in open markets, others work in smaller concentrations or alone on street corners and sidewalks. Street vendors choose the location of their workplaces based on maximizing their client base and are often congregated in strategic commercial areas of the city, such as outside bus terminal and shopping centres. Lack of a defined legal framework that establishes when and where vendors may occupy public space and protects vendors against risks like expulsions from their workplaces has allowed local authorities to spontaneously evict vendors particularly when the public comes to view them as a nuisance. Local authorities often confiscate vendors' merchandise, exacerbating economic hardships for those who have little to fall back on. This is the experience of street vendors in Maseru over the years without significant change in the lives of those participating in the informal sector and their households. Declining agricultural productivity and high unemployment have drawn many people to the urban areas to engage in the informal sector as an alternative to avert poverty. There are no current statistics on the number of existing informal businesses in Lesotho except data from the 2000 survey by Sechaba Consultants on the 831 informal businesses drawn from six out of ten districts in the country. But from observation, this sector has expanded dramatically, most particularly in Maseru. The main business categories are informal production, services and trade. For example, selling in the streets was more common where 17.5 percent of households in Thibella, 2.5 percent in Sekamaneng and 2.5 percent in Motimposo were engaged in this business. 'Masello who was 67 years old residing in Thibella stated:

I now live on the money I get from selling apples in the streets. I started selling in the streets in 2002 but these days my items do not sell well because we are many people who sell the same item. These days I target places of events like stadium when there are activities held there so that I can sell, even there we are many but at least one is able to get something to buy something to eat, look here are the apples left a few days ago, I am tired to go round in the bus stop so that I can sell them, I now have to eat them before they get spoiled (Interview, 'Masello Pitso, March 2009).

Similarly, 'Maseabata Mothetsi (39) living in Thibella revealed her situation:

I live with 5 children, 2 daughters, 3 sons I have rented this single room AtM100.00 a month, I can now afford to pay the rent every month from the money I generate from selling in the street. My family depends on the money I generate from the sale of food in the street, the money is not sufficient to cater for our needs but we manage to buy food and pay rent

which are our most critical needs. I am living a poor life because I have to sell whether it is raining or not, whether it is winter or not, I am seeking for jobs but I cannot find any. This is a struggle, how long will I endure to sell, I wonder (Interview, 'Maseabata Mothetsi, March 2009).

Furthermore, the informal self-employment in Maseru urban communities included sewing, selling garden vegetables, wild vegetables, clothes as hawkers, small items like sweets in their home yards, snuff, handicrafts, discarded plastics from shops, boxes and bottles, seedlings, fresh fish, rearing and selling pigs and their meat and brewing and selling beer. From the sample of the study of 120 respondents, 50.8 percent is involved in the informal economy where 45 percent of those involved in the informal economy were women. The numbers of households participating in each category in all three communities were relatively insignificant looking at the sample of 40 households in each community. However, Thibella had a recognized number of households engaged in selling small items around the area and in the bus stop (15 percent of households), those selling discarded plastics from shops, boxes and bottles (10 percent of households), those selling cooked food in the streets (17.5 percent of households) and those brewing and selling beer (22.5 percent of households). This means that the informal businesses are more common in poor households in Thibella than is the case with Sekamaneng compared with Motimposo with households selling small items around the area and in the bus stop (5 percent of households), those selling discarded plastics from shops, boxes and bottles (0 percent of households), those selling cooked food in the streets (0 percent of households) and those brewing and selling beer (15 percent of households). Sekamaneng also differed with Thibella with selling small items around the area and in the bus stop (5 percent of households), those selling discarded plastics from shops, boxes and bottles (0 percent of households), those selling cooked food in the streets (2.5 percent of households) and those brewing and selling beer (7.5 percent of households). This is influenced by urbanization as Thibella attracts more immigrants who mobilize income through informal trade (Field Survey, 2009).

From the data, brewing and selling beer is also the most dominant among all income-generating activities especially in Thibella. This is an activity most commonly undertaken by women in Lesotho, as ILO (2000) observed that in the urban areas of Lesotho, women cluster in businesses that are "an extension of domestic chores (like selling food items) and a spatial and temporal extension of traditional activities (like beer brewing)." It was discovered during this research that some men also engaged in brewing and selling beer to generate cash for survival. Nkoale, a 63 year old man stated, "I have someone whom I have hired to brew and sell for me, I pay her by giving her time to brew and sell for herself at least once in a month (Interview, Nkoale Kou, March 2009)". I observed that there were 3 big containers of 200 litres each, that stood by the side of the door way and

Nkoale claimed that he uses them for brewing beer (Field Survey, 2009), meaning that in the urban areas of Lesotho there were no marked gender divisions of labour within the urban small-scale economy. Men also suffer the same consequences of poverty as women and engage in the same activities to generate income for survival, which were predominately used by women in the past. The same thing applies to selling of small items and selling of discarded plastics from shops, boxes and bottles, as both men and women were doing these jobs in urban Maseru. But it is true that the majority of those who are engaged in these activities, as already indicated, are women (Gill, 1994 and Gay, 2000).

However, across the developing world, there are difficulties regarding the operations of the informal sector. Often these involve harassment in the form of arrests, evictions and confiscation of merchandise of those engaged in this type of business by local authorities claiming to be working in the public interest to safeguard the cleanliness of cities (Roever, 2007). In the same manner, the municipal authorities in Maseru through their special police force keep on harassing residents and sellers engaged in informal trade by frequent arrests, evictions and confiscation of items for sale. This has increased the incidence of poverty, as residents are not able to get money out of what the municipal regards as 'illegal' business to improve their lives thus jeopardizing human capacity-building and sustainable development.

Although the informal sector workers (street vendors) have organized themselves into civic associations and have secured licenses to operate within the city, the urban governance however continues to pose problems that involve confrontation between the city council and the legal as well as the 'illegal' vendors in and around the city centre. The Urban Council dominates the decision-making but the civic organizations also exert a substantial pressure through protests and use of the media in determining direction of informal business.

For those who were selling cooked food in the streets, as was the case with 2.5 percent of households in Sekamaneng and 17.5 percent of households in Thibella, who happened to be all women, they were also subjected to many hazards (Field Survey, 2009) normally faced by street vendors across the developing world as Roever (2007) indicates. They often want to maximize their client base and frequently congregate in strategic commercial areas and, since local authorities do not allow them to occupy that public space, they are subject to confiscation of their merchandise and other harassments by the authorities (Ibid). This is very disturbing for someone whose survival depends on this activity because it further exacerbates her economic hardships. The informal sector serves as a response to economic crisis in the developing world and many households engage in informal work to supplement incomes, as ILO (2000) has shown. Some respondents in this study felt that the informal sector has had an impact on household poverty reduction in supplementing household income and further building household capabilities, though it has been

limited because the income is little. 'Maseabata, 36 years old woman living in Thibella, concurred:

My family depends on the money I generate from the sale of food in the Street, the money is not sufficient to cater for our needs but we manage to buy food and pay rent which are our most critical needs. I am living a poor life because I have to sell whether it is raining or not, whether it is winter or not, I am seeking for jobs but I cannot find any. This is a struggle, how long will I endure to sell, I wonder (Interview, 'Maseabata Mothetsi, March 2009).

This case shows that urbanization, the informal sector, human capacity building, urban poverty are linked. 'Maseabata is an immigrant who sought for survival in the informal sector in Maseru but is still living in poverty even after migrating to the city because she could not get any formal employment. The informal sector became a 'safe haven' for her. It is evident that failure of both the public and the private sectors in keeping pace with urbanization has resulted in the increasing number of the labour force turning to the informal sector in the developing which the UNDP Human Development Report (1993) refers to as 'jobless growth'. However, the informal sector provides income below a living wage and usually serves as a hand-to-mouth activity in poor households in Maseru. Low income forces people to concentrate on consumption expenditure, that is, food and other necessities and not on investment, perpetuating the lack of household income. It is clear that the informal sector is an important survival strategy in Maseru which minimizes poverty but cannot really contribute significantly towards human capacity building and promote sustainable development.

The informal work engaged in also comprised occasional jobs (They are referred to as *piece-jobs* in Maseru) as an income-generating strategy for the urban poor in Maseru. These involved working in gardens, working as labourers on building sites, washing people's clothes, baby-sitting, fitting satellite dishes and car sound systems, loading and unloading stock at shops, working as motor mechanics, weeding in people's fields, building and maintaining people's houses, carrying/conveying people's items with wheelbarrows, plaiting people's hair, car washing and working in community development projects (*fato-fato*). The study results indicate that out of the total sample, 72.5 percent participated in occasional jobs. These were short-term activities and depended much on availability as the cases below indicate (Field Survey, 2009).

Tapole 65 years old and 'Matau 59, a couple living in Sekamaneng, find it difficult to survive because they lost income from the mines. They are not educated either, Tapole never went to school while 'Matau did only Standard 4 at primary school level. The occasional jobs they were doing to get income were not sustainable. This is their story:

I am living with my wife only, I never went to school, and my wife did STD

4. I worked in the mines in the past and I was able to feed my family and sent my child to school. Money was enough to cater for family needs. I got retrenched from the mines in 1981 because of age. I have ever liked to get a job but was never successful, except if I get a piece-job from some neighbours that pay little money, if it gets finished I stay at home. Since I lost my job I have never worked anywhere, I just stay at home as you find me here. Since I lost my job from the mines, my life is rather difficult even the house can tell that all what I have was acquired during the time when I was working way back, nothing is new. Each day it is difficult to get food. Social relations are not so good around here, no assistance I get from anyone except for piece-jobs. My wife is just a housewife. She used to baby-sit for someone who works in the industries. But lately the mother does not bring the baby any more. She was paying M100.00 per month. We have no other sources of income (Interview, Tapole Litabe, November 2009).

Life was not better even for young people. Ts'eliso, a 43 years old man living in Motimposo, also struggled to survive. He had done only STD 7 in primary school and was not married. He lived alone because both parents had died. This is how he survived:

Since I have no family, no job, I live a hand-to-mouth type of life every day. I do piece-jobs in order to survive such as gardening or working with motor mechanics. But the money I get is very little to survive on and at times those jobs are not there. I do not cook because I have no stove; I eat at the shops where I buy bread and milk. But there are days when I sleep without food. For instance, I have these peaches now to take as breakfast because I have no food to eat this morning (Interview: Ts'eliso Toli, January 2009).

Rets'eliso, a 53 years old man who lived in Thibella, also struggled for a living though he had secondary education. He indicated,

I live with my wife and 3 children who are all at school. My wife is a housewife, I am doing piece-jobs in contracts when they are available and also I sell small items here in the house like paraffin, eggs and matches. Our life is getting worse every day. We have sewage line passing through here but I am unable to even connect because I am a poor man who has

no job so that I can have money to pay for all that we need. I am just living like a rural man there in the villages, there is no difference in terms of the type of life we are living, they may be better than us I think (Interview, Rets'elisitsoe Khoabane, March 2009).

What these case studies confirm is that even when people have lost formal jobs or have never had formal jobs, the informal work only serves as a temporary means of survival. They are further constrained by the level of education they have acquired from getting permanent jobs that can sustain them. They are trapped in a vicious cycle of poverty. This is irrespective of whether they live closer to the city centre or at a considerable distance, or even whether one is an immigrant or someone born in Maseru.

Nevertheless, the informal business sector continues to serve as a cushion for many households in the country to fall back on since the country's formal economy fails to cater for them. Gay (2000) considers the informal sector as one form of livelihood strategy for many Basotho and argues that a quarter of all households are engaged in some type of informal business. As the informal sector largely remains a hand to mouth activity, the high poverty levels remain. Many urban poor residents have now resorted to small income generating activities mostly operated from home as they cannot be either actively engaged in the formal employment sector or have capital to engage in informal business, all jeopardizing human capacity building and sustainable development as no further investment can be made to improve one's life.

CONCLUSION

The general observation from this study is that the increasing urbanization which has further resulted in an increasing unemployment in Maseru, has exposed poor households to vulnerability and poverty making the informal sector only an alternative for these households to avert poverty instead of empowering them to change their lives to better. They are unable to make any investment towards improving their capabilities, thus threatening sustainable development in Maseru.

During the study, most of the households in all the three communities, Thibella, Motimposo and Sekamaneng, did not have assets to cushion them in times of economic hardships. Most of the sample had no access to assets (including land). They had no capabilities including adequate level of education and skills rendering them unemployable in the formal sector to generating capital to enable them to invest in human capacity development yet this are critical elements to sustained well-being (Moser, 1996). They were dependent on informal and unsustainable income-generating activities. Furthermore, the formal and informal sectors absorbed very few poor people. The micro businesses in the informal sector often need capital which the poor cannot have. They had to engage in home-based activities to generate a little cash for survival like selling beer. Therefore, the poor households in the three communities lived in poverty

given the constraints they faced in changing their lives to the better. They were unable to acquire minimum standard of living (Field Survey, 2009). This further diminishes their chances to improve their capacity thus threatening sustainable development of Maseru.

RECOMMENDATIONS

The impact that the informal sector has in building people's capacity through financing things that go beyond daily consumption like education, as in other cities including Harare, Kampala, Nairobi, go unrealized in many developing countries' cities. Evidence revealed that the majority of poor populations in Maseru participate in the informal sector as their only means to generate income for expenditure that covers food and other basic necessities but not education and other capacity building related needs mainly because they engaged in casual jobs with very little income. Nonetheless, Sen (1987) argues that income one earns must go beyond just consumption needs. Such income must translate into investment in human capabilities including education, health and nutrition.

Many governments have not taken initiatives in promoting these small-scale enterprises by creating a working space. This has greatly reduced the potential booming industry to develop. Failure of government to realize the importance of this sector to the socio-economic transformation of many households, thereby alleviating poverty, by simply ignoring it, obstructs sustainable development. Developing the informal sector will lead to faster attainment of the envisaged poverty reduction in 2015 as outlined in the Millennium Development Goals and Lesotho's Vision 2020, thus attaining sustainable development. Countries like Kenya have realized the potential of this sector towards human capacity building and integrated it into the national economy. The structural linkages between the formal and informal sectors include inter-sectoral labour flows, capital flows and raw materials and commodity flows. Through these linkages more people are empowered through benefits derived from both sectors (Chambwera, MacGregor and Baker, 2011).

Other problems such as poor infrastructure and lack of credit which put restrictions on informal businesses to be competitive have to be addressed. The informal sector has limited access to training and professional services including tax registration that would enable good corporate governance to exist. Government has to accommodate the urban informal sector as it does with the urban formal sector to provide access to information that is vital to the growth of the sector. This will enhance the participation of informal entrepreneurs. Training workers in entrepreneurs skills relevant and appropriate to urban informal will promote both human capacity building and sustainable development. The informal sector growth has a positive impact not only to the participants and their households but also to the economy. For example, in Uganda, the informal sector is the main employer. Many households live on income generated from this sector. The sector contributes more than 20 percent employment expansion per year (World Bank,

2005). This is a very significant contribution towards human capacity building where these many people are able to generate income to meet not only their needs but also for development of their household members through investments.

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