

# Inside Formalization: Varieties of African Informal Economies

Kate Meagher



International Development  
London School of Economics

# Outline

- R204: consider what is being formalized
- Comparative approaches as a means of breaking the black box of IE
- variations in African IEs – institutional as well as statistical differences
- Implications for formalization

# Beyond the Black Box

- Look beyond statistical regularities: size, gender composition, share of own acc't workers, etc.
- Are all African IEs the same? – distinctive patterns
- Institutional approaches: institutional resources and historical trajectory – shaped by different histories and different relations with state and global econ.
- Shaped by pre-colonial and colonial history as well as contemporary conditions

# Size of Informal Economies in 21<sup>st</sup> Century

<b>Region</b>	<b>Informal Economy as % of Non-Ag Employ't</b>
<b>Africa</b>	71.9
<b>Sub-Saharan Africa</b>	76.8
<b>Arab States</b>	63.9
<b>Latin America</b>	49.6
<b>Asia and Pacific</b>	62.9
<b>OECD</b>	17.1

# Beyond the Black Box

Country	Informal Economy as % of Non-Ag Employ't
Botswana	55.1
Namibia	61.1
South Africa	34.0
Mali	86.4
Togo	90.0
Tanzania	69.3
Zambia	71.5

- Differences within Africa
- Indicator of successful formalization?
- About more than just size: history, composition, relations with the state and formal economy
- Need to consider what we are formalizing.

# Beyond the Black Box

## **Causes of variation:**

- Pre-colonial economic history
- Impact of colonialism on IE
- Relations with state in post-colonial period
- Impact of structural adjustment
- Linkages with global economy

Shape size and character of IE

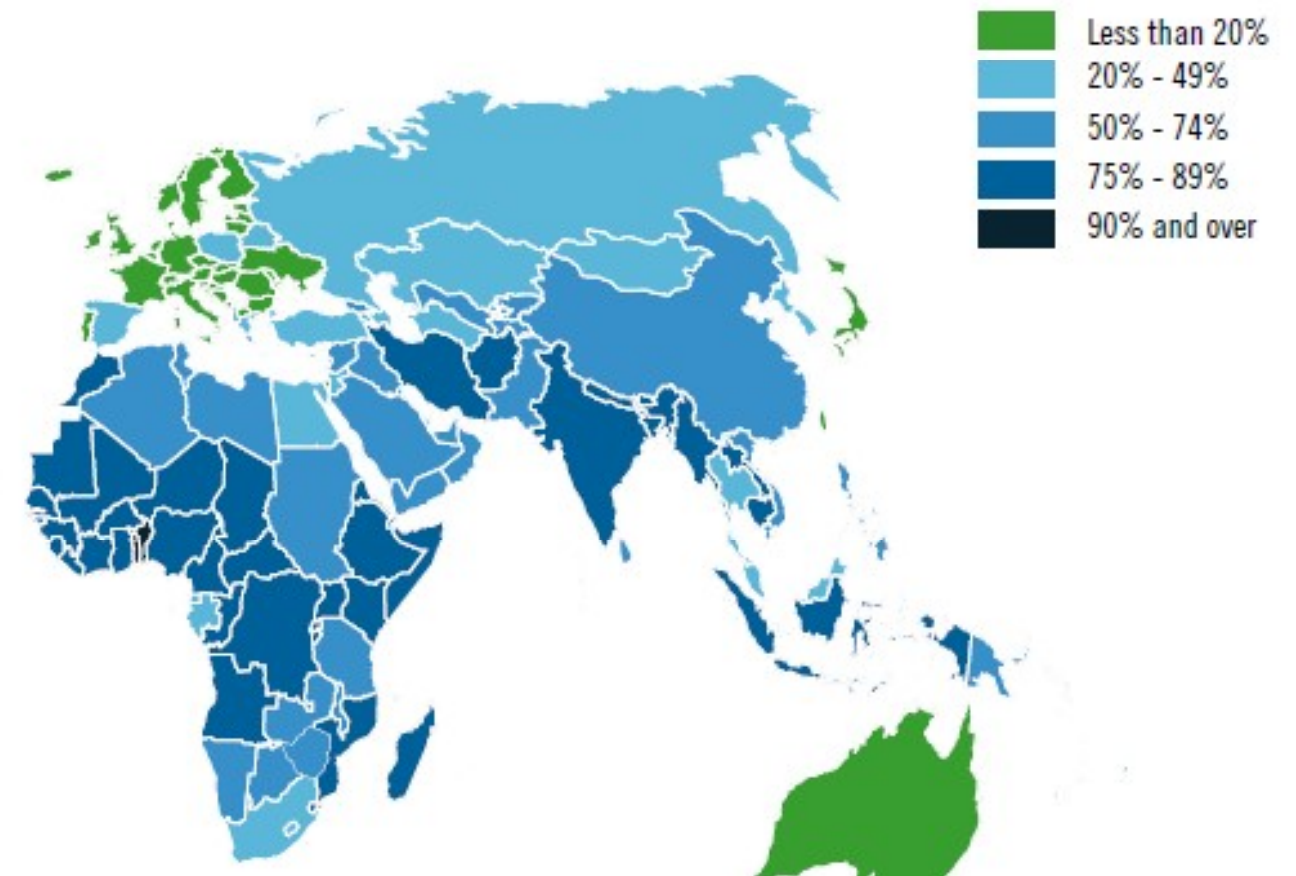
# Institutional History: Pre-Colonial and Colonial Influences

- Varied institutional histories create differing informal economies
- **Pre-colon:** centralized states and macro-religious org'zn vs decentralized socs w.o. large trading systems
- **Colonialism:** first wave of informaliz'n
- cash-crop, labour reserve and concession econ's
- **By 1970s:** size of IE 58%, 19% and 49%

## Institutional History: Post-Colonial Period

- **Post-colon.period:** role of indep. state, severe econ crisis, war
- **2nd wave of informalization:** SAP – intensified rather than altered patterns of IEs
- **2000s:** Size of IE (21 African Cs)
- cashcrop econs: 75% of NAL
- lab.res: 48% of NAL

## Size of Informal Economy (% of Non-Ag Labour, 2016)





# Patterns of Informal Employment in SSA

(2004/10)

Country	% Self-Employed	% Wage Workers
<b>Mali</b>	72	28
<b>Tanzania</b>	64	36
<b>Namibia</b>	24	76
<b>South Africa</b>	33	67
<b>Zambia</b>	50	50

# Institutional History: Globalization

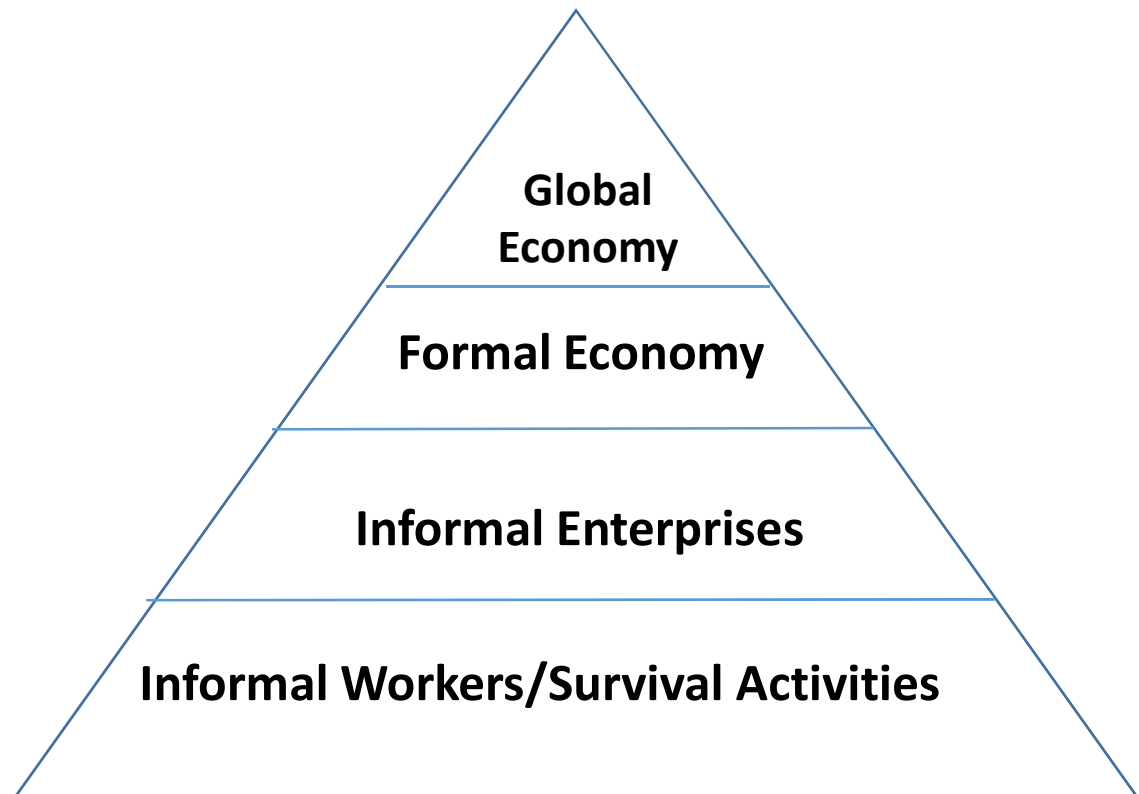
- Differing patterns of globalization of IE – reinterpret old organiz'l logics in new ways
- **cashcrop econs:** globaliz'n from below – trading and remittance networks, mfg clusters – 21st C entrepreneurial econ
- **labour reserve econs:** glob'zn from above – informal lab. in GVCs, labour brokers, BoP workers – 21st C lab. reserve econs
- **concession econs:** 21st century unfree lab (semi-servile lab, human trafficking)

# Formalization Strategies

1. Formalization: no 'one size fits all' measures

- 3 issues:
  - Structure of IE (enterprises, associations, labour)
  - State capacity: formalization through enterprise promotion
  - GVCs: linkages with large firms tend to promote labour informalization

2. Nature of linkages key



# Formalization Strategies

## **Variations in formal linkages needed:**

- Social protection a priority where high share of informal labour
- Enterprise support (loans, technical training, subcontracts) more important where high share of informal enterprise
- Legal, physical protection, anti-slavery campaigns in concession econs.