An Evaluation of Research and Policies on Informal Sector Employment in Developing Countries

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March 1989

This publication series serves as an outlet for background products from the ongoing work program of policy research and analysis of the Education and Employment Division in the Population and Human Resources Department of the World Bank. The views expressed are those of the author(s), and should not be attributed to the World Bank.
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This paper examines the relationship between research and policies relating to informal sector employment, particularly human resource development. The analysis takes as point of departure the path-breaking 1972 report of the ILO Comprehensive Employment Strategy Mission in Kenya, focusing on changes in the policy environment of the informal sector in the intervening period.

The review further identifies biases and gaps in the understanding of the informal economy as it relates to employment policies. Future research should attempt to:

- analyze the forces now shaping the informal economy, and bringing new populations into its orbit; and
- in coverage and impact, assess the significance of the many fragmented schemes that seek to assist the sector.

This paper is the result of a joint initiative of the Development Center of the Organization for Economic Cooperation and Development (OECD) and the World Bank (Population and Human Resources Department, Education and Employment Division; and Africa Technical Department, Education and Training Division). It has been discussed in a seminar, held in Paris in September 1988, entitled "The Informal Sector Revisited." The complete proceedings of the seminar will be published shortly in the OECD Development Center Seminar Series.
1. Assessing the impact of research on policy is notoriously difficult in the short term. At a distance of some twenty years from the original research, it is of course relatively easy to see whether policy has in fact changed in many of the directions proposed by the research. It is more difficult, however, to attribute any causal relationship between research and policy. While it is tempting for researchers (especially those involved with policy research or policy evaluation) to look for linear connections between research production and policy making, the culture and dynamic of policy continue to be relatively independent of research and evaluation. This situation is made immensely more complex when there are in fact two policy cultures and two research cultures which have an impact on many, especially poorer, developing countries.

2. The external policy regime associated with both multilateral and bilateral agencies has been extremely influential, particularly in the fields of unemployment and the informal sector. A significant number of researchers from OECD Member countries have been closely associated with these bilateral agencies either as consultants or as experts. The local culture of policy and its connection with the local research community are much harder to analyze, but it is often felt that the distance is greater between the development ministries within the Third World than there is between their counterparts in the industrialized countries. These two sets of actors have both been engaged in the research and policy debates about the informal sector, but sorting out the directions of influence would probably be as unrewarding as the attempts to separate the informal from the formal sector. This is not least because policy advisors paid by the development assistance community actually continue to work in the local ministries in developing countries, and as far as the local research community is concerned, it continues to be the case -- especially in Africa -- that a majority of local research projects are usually funded by the donor agencies in one way or another.
3. Although both the local and external research and policy communities can easily be further subdivided by different political and theoretical perspectives, the basic distinctions drawn above make it easier to explain ways in which, say, an Employment Mission can directly affect the agenda of external donors and development researchers but have virtually no impact on local employment policies. In this paper, the emphasis will be placed principally upon certain aspects of donor policy relating to the informal sector on the one hand, and on what appears to be a number of policy shifts at the country level on the other. The debate amongst researchers themselves about various interpretations of the informal sector will be given less attention on this occasion, except where elements in the discussion seem likely to influence or illuminate policy. In addition, the theoretical literature is relatively easily accessible, and some reviews of informal sector research have been published very recently (1). One further point seems worth making if the concern is with the relationships of research and policy across these internal and external communities, and that is that "the periodization of the political" could not be easily second-guessed either by researchers or those shaping policy in the donor community. The point is an obvious one, but it is one that may be worth elaborating a little before ending this introduction.

4. The concept of the informal sector was dramatized in a particular inter-agency Comprehensive Employment Strategy Mission to Kenya in 1971 (and not in similar Missions to Colombia and Sri Lanka a year or two earlier). Clearly, Kenya was the site where the terminology fell into place. On the other hand, Kenya was not the only place where the objective conditions or the chemistry were right for the concept to make sense. If a Comprehensive Employment Strategy Mission of the size of the one to Kenya (more than 50 expatriate members and consultants, and five Kenyans) had gone to Ghana, Nigeria or several other countries, the concept could easily have been applied. What favored its application in Kenya was that petty enterprise and services had quite rapidly (since Independence) attached themselves to Nairobi and other towns that were colonial creations, whereas in West Africa with its
indigenous traditions of urban living, the informal economy was so much a part of the fabric of life that like the informal sector in India it would have had to be rediscovered. Equally obvious is the fact that a mission going to Botswana, Lesotho, or Swaziland in 1971 would not necessarily have confronted this phenomenon. If what had made the informal sector so conspicuous in Kenya was the fact that Africans had recently asserted their rights to live and make a living in what had been European and Asian towns, there was no reason to expect that the political environment would coincidentally be right and favor measures to support the informal economy. Nor did the Mission have any leverage -- as international financial institutions or the donor community might have had -- to oblige consent to a package of employment measures.

5. The result of the Employment Mission to Kenya was a report that had an immense effect on both multilateral and bilateral aid donors, and particularly upon the ILO's World Employment Programme itself. It also had a direct impact on research on the informal sector. But in the short term, there seems perhaps rather little to show in the area of influence upon local employment policies and especially those that might relate to the informal sector. Now, some 18 years later, there is very strong evidence of a policy environment favorable to a whole series of initiatives in support of the informal sector in Kenya. With the benefit of hindsight, it may be possible to pick out a number of factors that have been important in producing this new policy environment. And even though those are of course specific to Kenya, they are perhaps illustrative of the kind of periodization of policy that can also affect other countries.

6. In short, because of the complexity of the two layers of research and policy with which we are involved, it makes sense to attach this discussion primarily to one country, and to make allusions to other settings where appropriate. At the level of the formation of donor policy, the discussion can afford to cover more than Kenya, but even here, the data that might help to explain the recent surge of interest in the informal sector are not yet available. We shall end with a series of more general propositions
about research and policy on the informal sector -- which are both retrospective and prospective.

II. THE KENYA MISSION AND ITS PREHISTORY IN KENYA

7. Parts of the essential prehistory in Kenya of this 1971 Comprehensive Employment Strategy Mission are the East Africa Royal Commission of 1953-1955, and the Report of the 1966 Kericho (Kenya) Conference on Education, Employment and Rural Development. The first of these is important not only because of its sensible assertion that "Taking the East African economy as a whole, there is no evidence of unemployment as that is commonly understood," but more for its very powerful indictment of restriction and regulation -- affecting so many areas of colonial African life -- from marketing, to provision of credit and licenses, to the use and sale of land itself (2). In so many areas, the Commission was exceedingly perceptive. It noted, for example, that the clusters of settlements just outside the boundaries of all the main towns were not so much eye-sores as they were "important centers of African trade." Anticipating the comments of the Kenya Employment Mission 15 years later, it added that "to clear these areas of their inhabitants would be to destroy what, in some urban areas, constitutes the only development of African commercial enterprise" (3). Still, its most significant and influential recommendations were not for urban areas, but for the development of a market in land through the individualism of tenure. As has so often happened with commissions that report in wartime conditions (Mau Mau in Kenya), elements of this particular piece of policy research were rapidly put into effect, and they must be seen as intimately connected with the evolution of farm enterprise that eventually developed from the market in land and from African access to hitherto restricted cash crops (4).

8. A second potentially relevant milestone in the prehistory of the informal sector in Kenya came in 1966, just ten years after the Commission (and three years after Independence), with the major Kericho Conference. This brought together some 70 expatriate experts from Europe, North America, and
Africa itself, along with 17 Kenyans. The meeting was the result of the growing awareness of the scale of Kenya's primary school leaver crisis, and the stark "arithmetic of unemployment" that faced the dramatically rising numbers of young people. Partially funded by the Ford Foundation, it focused on a fair amount of the wisdom of the day about rural employment policies, agricultural modernization, and the role of education. For our present purposes, it is interesting to note that what would shortly be termed the urban informal sector was still being characterized by Frederick Harbison at Kericho as a sector where people "eke out an existence as casual laborers, stall-holders, beggars or petty thieves," and where activity included a "wide variety of petty barter trade and traditional crafts" (5). With this group, he felt, the challenge of the urban areas was how to "utilize them somehow in small-scale service industries such as automobile and machinery repair, maintenance, construction, and other activities for which demand is constantly rising in urban areas" and not just expand "the services of stallholders, casual laborers, artisans or beggars" (6). Since the Kericho meeting was not preceded by field trips, it is hard to judge whether this kind of diversification of the urban traditional sector was already taking place in Nairobi and the larger towns (it almost certainly was not in Kericho) that would be so evident to members of the Employment Mission in five years' time.

The focus of the meeting was, however, rural and not urban, and the concerns were therefore more with the need to transform the traditional rural economy, than with the diversification of urban employment. There was little direct attention to existing off-farm employment in rural areas, but considerable interest in rethinking the whole notion of manpower planning from a rural perspective. Harbison, again, in a major critique of the urban bias of manpower planning (with which he had been so closely associated) argued that "virtually no attention has been given to the human resource requirements (and incidentally the possible new employment opportunities) of a comprehensive effort to modernize the traditional sector" (7). Such a reorientation would imply a dramatic change in focus and the expansion of "educative services," both formal and nonformal. The interesting point about this notion of modernizing the rural sector is that, first, it appeared not to
be based on any sense of the extent to which smallholders of Kenya were already combining cash-crop agriculture with off-farm enterprise. But, more importantly, this manpower-planning-for-the-rural areas was predicated upon a massive extension of Government funded services into rural areas: "The modernization of rural communities and villages, the building of rural roads and systems of communication, the extension of education, medical and sanitation services to rural areas, and the creation of rural-based industries would all require tremendous inputs of trained manpower" (8). We shall note later on that it is precisely in respect to such services that Governments in the late 1980s are retreating from responsibility, and increasingly local communities are having to provide for them, informally, and from their own resources.

10. There are a few other essential elements in the prehistory of the informal sector in Kenya. Some are surveys of non-agricultural rural enterprises, or of earnings on small farms. But there was one important source that became available in the very year that the members of the Employment Mission were doing their field work in Kenya, and that was *African Businessmen* by Peter Marrisy and Anthony Somerset. The field work data for this book had been collected in 1966-1967, and had consisted of some 90 small businesses supported by the Industrial and Commercial Development Corporation in Kenya and some 850 small African enterprises whose owners had been interviewed in market centers across the country. What was unusual about this book was that in facing the fact that "in 1967 there were scarcely 200 African businesses in Kenya larger than a country store or a craftsman's workshop," the authors still sought very seriously to understand the 100 years of continuities and discontinuities between pre-colonial trading patterns and the emergence of African business in the post-Independence period. The research had also begun a process of disaggregating and describing what few people had looked at before -- the clusters of traders, market women and shop-owners, as well as some of the more diversified traders that the Employment Mission was going to highlight a few months later:
The shops (in small towns), perhaps 50 or a 100, are mostly retail stores selling the same scanty stock of cigarettes, cloth and general groceries, ranged on rough wooden shelves behind a counter. But there may be, too: several bicycle repairers and blacksmiths, hotels and bars, tailors and butchers, a barber, a photographer, a hides and skins dealer, a posho (maize) mill, a furniture maker or watch repairer, and two petrol pumps in front of the most prosperous store (9).

III. THE INFORMAL SECTOR IN THE KENYA EMPLOYMENT MISSION

11. Although important sources of expertise on the Kenyan background became available at the right moment (indeed, one of the authors of African Businessmen was associated with the Kenya Mission), the development of the concept of the informal sector by the Kenya Mission went beyond what had been written before. Prior to commenting on the concept, and particularly its relationship with employment policies, it is as well to acknowledge the territory that was staked out by the Employment Mission. Just how new the notion of the informal sector was seen to be at the time is perhaps difficult to assess at a distance of some eighteen years, but since some members of this OECD/World Bank seminar in 1988 were closely associated with the Employment Mission of 1971, we clearly have some scope for historical reflection on the birth of this notion.

12. Part of the international appeal of the informal sector derived from its identification with the lives of the working poor, excluded from the often protected security of the formal wage and salary section. At a time when the first development decade had just come to rather an undistinguished end, it was widely felt that the recent patterns of employment, education, growth, and technology transfer had begun to produce distinctly unequal outcomes. The "informal sector" was a useful shorthand to point to a section of those who apparently had been excluded from the fruits of Independence. It stood for a rough and ready tradition of indigeneity over against reliance on imported
models, foreign technology, and multinational capital. In some ways the concept almost precisely paralleled the notion of "non-formal education" which came into vogue in exactly the same year, and which shared with the informal sector a common set of assumptions about the formal sector (whether in education or employment). Both concepts had almost immediate appeal to the donor communities, multilateral and bilateral, particularly because they fitted in very well with the agencies' desire to rethink "more aid for the poorest." Interestingly, both concepts have actually survived into the late 1980s, despite some considerable academic criticism of their usefulness, and they are still routinely used to describe the worlds of work, training and education that lie beyond the frontiers of formal schools and formal employment. The links were in fact rather close between the informal sector and non-formal education, since skill acquisition in the former was typically arranged by means of mechanisms that did not depend on the formal education and training structures (10).

13. There is a sense in which the informal sector provided an organizing theme for many aspects of the Employment Mission's work. In the same way that the theme of liberalization from the controls and regulations of a racial economy was the text of the East Africa Royal Commission, the "pervasive importance of the link between formal and informal activities" affected the insights and recommendations in many different sections of the Report. Whether the theme was housing policy, technology policy, services, agriculture, industry, transport, construction -- or employment itself -- there was always a dimension of the analysis that could be illuminated through this concept. In the area of technology, it was appropriate to point to the evidence of technical change and labor-intensity within the informal sector, as well as possibilities for policies sensitive to product development. In housing, the relevance of the organizing theme seemed even more obvious as the authorities, especially in Nairobi, were engaged in the demolition of whole areas of informal housing almost in front of the very eyes of Mission visitors and researchers. The issues of over-regulation, licensing, monopoly, and protection cropped up in several of the other policy areas, such as trade, transport and other services. In many of these areas, policy suggestions
quite specifically made the case that liberalization accompanied by training and monitoring of standards and safety would work in favor of the informal sector. In effect, it would have the result of normalizing and legalizing many informal activities which were in the strict sense outside the law. Even in agriculture, it was clear that there were close and positive connections between small-holding and non-agricultural rural enterprises, while in industry it could be urged that the connections needed to be made much closer between the ene’s of modern industry and the informal and small business sectors through such mechanisms as increased sub-contracting.

IV. TRACKING THE INFLUENCE OF RESEARCH ON POLICY
IN A SINGLE SECTOR - EDUCATION

14. In the Kenya Mission Report on education and training, also, there was very obvious scope for developing connections between the organization of formal schooling and the needs of the mass of young people who would not be continuing with formal schooling and who would be unlikely ever to have access to formal sector employment. It was very forcefully argued that in Kenya the key selection device for secondary and further education could be made relevant to "the needs of young school-leavers who are forced to look for their livelihood in the rural areas and in the informal sector of the economy." Furthermore, it suggested that the examination system could actually be manipulated to favor the sort of skills needed in the informal economy, while not losing its efficiency as a selection device:

The paper could include shopkeeping problems, simple farming and business accounts, the calculation of crop yields, and a wide range of other problems likely to be met with by the school-leaver engaged in agriculture or self-employment (11).

15. The reason for illustrating one of the potential links between formal education and informal sector activities is to make a basic point about the relationship between research and policy. This occasion was by no means
the first time that analysts have suggested that examination systems be made more relevant to people's ordinary working lives. What makes this particular recommendation in the Kenya Mission special is that the researcher responsible for it decided immediately after the Mission to move into a policy position in the Examination Unit of the Ministry of Education, and was instrumental with Kenyan colleagues in translating a research hunch into policy over a period of many years.

16. Another recommendation of the education working party of the Mission was to increase dramatically the amount of pre-vocational bias in the last years of an extended cycle of basic education. Again, this was conceived as an innovation in the formal sector that could have a direct impact on the informal economy (12). It is worth illustrating what happened with this single recommendation, since it may afford some insight into the process of what gets adopted from an international commission and what does not. By 1973, the Government of Kenya had accepted in principle the reform of primary education and the lengthening of the cycle, along with the new vocational emphasis. Within two years a new educational Commission had been set up (with significant assistance from the World Bank, but this time with 25 Kenyans and one expatriate). This Commission quite explicitly acknowledged the role of the ILO Mission, and although its remit was education, whole sections of its report published in December 1976, were taken up with issues such as the generation of employment, self-employment, the informal sector, labor-intensive technology, and income distribution. Take, for example, one of its recommendations:

The Committee therefore urges the Government to accelerate the enforcement of the necessary legislative and administrative measures to abolish harassment and instead facilitate growth in this sector in Recommendation 73:

**Recommendation 73:** To institute and enforce the necessary legislative and administrative measures which facilitate growth of the informal sector:
amend existing legislation, bylaws, and administration which hinder growth of the informal sector;

institute legislative measures and administrative procedures to remove bias against the informal sector vis-à-vis the formal sector;

deal especially with housing, trade licensing, production and use of labor-intensive technology, credit facilities, management and technical services and unnecessary harassment (13).

17. A great deal of the report (and its no less than 315 recommendations) is taken up with the kind of radical restructuring of the content of education that is expected to relate to the needs of young people at work in the ordinary economy. Ten years after than the Kericho Conference, it was as obvious that only one in ten secondary school leavers could expect a modern sector job as it had been a decade earlier with primary leavers. Hence the report is studded with references to self-employment, labor-intensive technologies, and vocationalism. A whole range of new subjects were ordered up for the basic cycle of education -- including business education, home economics, Swahili, traditional arts and crafts -- not as options, but as part of the nationally examined core subjects. The same was true of secondary education where a typical recommendation urged government "to localize science content and methodology as a basis for development of labor-intensive technology appropriate to the support of basic activities of life in the rural areas" (14).

18. These were, of course, like the Employment Mission Report, a set of recommendations. And it was not until eight years later, in December 1984, that a document was drawn up to implement what was now called the "8-4-4 System of Education." The new system (with its eight years of basic, four of secondary school, and four of university) finally put into place in 1985 the new structure and content of education, in the hope that it would "impart the kind of attitude more in tune with the development of the rural areas where 80 per cent of our people live" (15). By December 1986, the first cohorts of
Kenya children had just finished their new Standard Eight courses and had taken national examinations in which they were checked on the new core areas, many elements of which tested rudimentary abilities to make what have often been thought of as informal sector products. We have argued elsewhere (16) that the informal sector was unlikely to become an integral part of the national economy until the cultural transmissions through schools acknowledge work in the informal sector as popular and ordinary. The beginnings of this change in school knowledge about work were widely evident in textbooks aimed at the extended primary schools. The new employment policies were at last being normalized by schools. An example from primary science for Standard Eight would have looked very different prior to 1970:

Soon you will be leaving primary school. You will have to decide what to do next. There are many possibilities:

(i) **Self Employment.** This means you work for yourself. For example, you could start a small business such as making tools, rearing chickens, trading or growing vegetables ....

(ii) **Finding out about Self Employment.** To be self-employed, you need to have courage and skill. You need to work hard. However, many people enjoy working for themselves, being their own boss. Many of the following people are self-employed: mechanics, builders, watch-menders, taxi-drivers, tailors, fish-sellers, plumbers, traders, craftsmen, electricians, shoe repairers, potters. Find out what small businesses are needed in your area:

- How much money would you need to start your own business for things such as tools, rent, raw materials and transport?
- Could the bank help?
- Would you need a license to work?
- How would taxation affect you? (17).
19. This illustration of the normalization of the concept of the informal sector and its full incorporation into school knowledge over a period of almost 20 years in one country has been necessary to show the complexity of sorting out the impact on policy of the research-based notion of the informal sector. The above example (from just a single sector -- education) might be read as a confirmation of a linear relationship between the development of the concept of the informal sector in Kenya by the Employment Mission and its progressive policy adoption. The reality is more complex. On the one hand, the concept of the informal sector was not born in Kenya, but was brought to Kenya by certain key members of the Employment Mission. The concept had come into being a year earlier than the Mission, at a conference at the Institute of Development Studies at Sussex during September 1971. Sixteen papers were discussed, taking very different positions on whether unemployment was really a problem in developing countries. The actual term "informal sector" emerged from Keith Hart's paper on "Informal Income Opportunities and the Structure of Urban Employment in Ghana," but this crystallized just exactly the kind of concern with the previous emphasis on unemployment that many people were looking for. A comment on the conference papers by John Weeks, who was also on Employment Mission:

The orthodox view can be found here in the Singer paper, with its almost exclusive emphasis on unemployment, a sharp rural-urban dichotomy, and the shunting aside of definitional, methodological, measurement and ideological issues. The unorthodox position is found in this paper by Hart, an exciting and analytically clear exposition of a position to which an increasing number of conference members gravitated over the four days (18).

20. The Kenya Mission offered the first opportunity to test this unorthodox view (that the allegedly traditional urban sector is actually innovative and productive), and the result was that the unorthodox became the new orthodoxy within a year. Thus the translation of research (Hart's, Week's, etc.) into policy (ILO's) took just a single year.
21. At the Kenya end of the equation, even in education where the translation of some of the ILO recommendations into local policy might appear to have been linear, though very long-term, the reality was probably also a good deal more complicated. For one thing, the ILO's recommendations about extending the length of schooling conveniently legitimated the determination of Kenya to do this anyway (indeed, some of the most advanced parts of the country had actually started building extensions prior to the arrival of the Mission) (19). Secondly, the recommendation to vocationalize schooling with a view to self-employment was already high on the agenda of politicians. So again, it could be argued that the ILO offered Kenya some international approval for what it was already determined to do.

22. In order satisfactorily to understand the interplay between ILO employment policies (and especially those on the informal sector) and Kenya's employment policies over the period from 1970 till the late 1980s would require a cross-sectoral analysis. But it also requires an understanding of the local manpower agenda of Kenya, as opposed to what we could call the external manpower agenda (20). The reason for paying particular attention to schooling is that it is frequently at the heart of the local manpower agenda, and certainly so in Kenya. Given the inability of the State of Kenya to expand formal sector employment significantly, its central "employment policy" has been constantly to expand access to that level of education which controlled entry to such modern sector jobs. At the same time as this democratization of access has been taking place, the other side of its school-based "employment policy" has been the re-orientation of the entire basic cycle of schooling in order to permit students to develop a degree of practical and technological skill and an enterprise culture (for the informal economy). Schooling thus holds in an uneasy alliance the politics of access and the politics of the practical (21).

23. Summarizing now the apparent impact of the ILO Mission on these policies towards the informal sector, we can see that several of them have apparently been mediated by education, but also that Kenya selected out of the
ILO education menu those courses which fitted in with their own manpower agenda. It should also be remembered that although after almost 20 years a set of education and informal sector policies appear to be in place, it is still far too early to assess precisely what impact such policies have actually had in rural classrooms as well as in those urban schools that serve neighborhoods with major concentrations of informal sector activity.

V. RESEARCH AND POLICY IMPACT IN SECTORS OTHER THAN EDUCATION

24. The results of the previous very brief and incomplete sketch of the new informal sector policies' impact on education emphasize the difficulty of the task and the need to carry out further sectoral analysis in several other key areas like trade policy, housing, technology, small-scale enterprise, subcontracting, etc. The sub-literatures on each of these areas, even in a single country, are in fact very extensive; and the process of tracking the articulation of official policy with actual practice, in, say, the realm of slum clearance and low-cost housing would be taxing, even as a single sector. However, the process of documenting and analyzing these sector-specific interactions would be valuable not only as a commentary on the initial insights and biases of the Employment Mission but also as a history of the interplay between aid policy and the development of local policy. Of course in a country where most of the sectors discussed in the ILO Mission have, both prior to 1972 and in the subsequent 17 years, received enormous numbers of aid missions, policy recommendations and pilot projects, it becomes perilous to try to sort out a specifically "ILO effect."

25. At the macro-level, however, it would be relatively straightforward to examine the way in which policies towards the informal sector and its employment capacity have been maintained, weakened, or strengthened on Kenya's official policy agenda -- Development Plans, Sessional Papers, and the like. Remembering what we said earlier about the periodization of the political agenda, it would seem that with the exception of the education sector, the immediate policy take-up from the ILO Mission was relatively slight. However,
18 years later the political climate appeared very different, and 1985 saw a major Sessional Paper on unemployment. The next year brought Sessional Paper No. 1 of 1986 on "Economic Management for Renewed Growth." And the same year saw the launching of the "Presidential Working Party on Education and Manpower Training for the Next Decade and Beyond."

26. Although the draft reports of the latter were not consulted at the time of this writing, the direction of their recommendations seems certain to further build upon the powerful emphasis on the informal sector that emerged in Sessional Paper No. 1 of 1986. A glance through the list of positive characteristics of the informal sector in 1986 is very reminiscent of the parallel sections in the Kenya Mission Report of 1972:

Informal sector activities conserve scarce foreign exchange, require very little capital to create jobs, rely primarily on family savings, often provide their own skill training at no cost to Government, and are a prime training ground for future African entrepreneurs. Above all, the informal sector offers an unmatched potential as a source of new jobs for the expanding labor force, while the self-employed and small-scale enterprises represent the major part of business activity in market towns and smaller urban centers (22).

27. As to the 1986 battery of recommendations on the informal sector, it contained no less than three pages of detailed policy suggestions, covering credit arrangements, import substitution and local tendering, the further restructuring of technical and vocational training, a special cross-ministerial unit on small-scale enterprises, and finally a special task force to review all policies to promote the informal sector:

In particular, the task force will review current local authority bylaws and other regulations governing informal sector activities, to create a healthy legal and regulatory climate for informal sector activities by eliminating unnecessary constraints, recommending an
appropriate scale of licence fees and charges, and protecting street hawkers and other self-employed from over-zealous policing (23).

28. It has not been possible to carry out any research on how the informal sector/small-scale enterprise concepts have moved right into the center of the policy frame in the last year or two (24), nor has it been feasible to document which part of the whole battery of recommendations have been or will be implemented. However, it is worth acknowledging that documents like the sessional paper face two ways and have two purposes. There is obviously a local political purpose, but equally a document such as the 1986 paper is aimed at the development assistance community, aware that donors in the late 1980s have also been putting the informal sector back onto center stage.

VI. DONOR REVISITATION OF THE INFORMAL AND SMALL ENTERPRISE SECTOR IN THE LATE 1980s

29. In the period 1986-1990, there have been held or are scheduled to be held a very large number of specialist's workshops, seminars and conferences on the informal sector and micro-enterprise development, the majority of them are directly financed by the development assistance community. Within these years, such meetings will have been held in Côte d'Ivoire, Venezuela, the Dominican Republic, Costa Rica, the United States (several), Germany, Denmark, Switzerland (several), Burundi, Nigeria, Canada, to mention only a few of the more obvious. With some agencies, state-of-the-art studies have very recently been completed on some aspect of the sector; others have been funding new research. Even the major international NGOs (non-governmental organizations), such as Oxfam, have been involved in trying to synthesize what has been learned (25).

30. Revisitation is certainly the wrong word for what some of the agencies are doing, since they have continuously been involved in support to small and micro-enterprises since the early 1970s or even earlier. But even
with these, the late 1980s have marked a time of stocktaking and of reviewing what has been learned, before continuing with further funding. Whole swarms of projects supported by USAID through various subcontractors have received very positive scrutiny and in the process a great deal has been learned about project design for different kinds of beneficiaries in different kinds of policy environments. What is particularly intriguing in these major reviews of long-term research or intervention in the informal sector is to set their findings against the characteristics of the informal sector that were in fact rather rapidly assembled in the Kenya Employment Mission, and which were only to a limited extent based on research.

For instance, Carl Liedholm and Donald Mead arrived in December 1986 after a major research exercise with a listing of nine basic characteristics of "these elusive small-scale industrial enterprises" in their report, *Small-Scale Industries in Developing Countries: Empirical Evidence and Policy Implications*:

(a) They provide the bulk of industrial employment;
(b) They are principally located in rural areas;
(c) They are not small, but very small, with most of them employing fewer than five;
(d) They are predominantly private, sole proprietorships, and often the proprietors are female;
(e) The workforce is principally proprietors and family members;
(f) The average worker in small industry combines this with other activity;
(g) The amount of capital required is modest, but capital entry barriers are not insignificant;
(h) The bulk of funds for start-up or expansion are from family, not from banks or governments;
(i) They are increasing in absolute terms, and at a faster rate than large-scale industries.

(Summary by this author) (26).
Clearly, a very significant correspondence exists between these multi-country research findings and the thrust of the original characterization by the ILO Mission to Kenya (27).

32. The other international body that has maintained some visibility for the concept of the informal sector since 1971 has been, of course, the ILO itself. The ILO is by no means a monolithic body, either at headquarters or with its regional offices concerned with employment, research, and training in different continents. But in very broad terms, it could be said that there has been significant professional continuity of interest in the informal sector in PREALC (especially in its work in Latin America rather than the Caribbean); in JASPA (the Jobs and Skills Programme for Africa); in CINTERFOR (the organization concerned with vocational training in Latin America); and within the World Employment Programme (WEP) itself. Several of these branches have very recently also done something of a stocktaking:

JASPA: "The Informal Sector in Africa"
Victor Tokman (PREALC): "The Informal Sector: Fifteen Years Later"
CINTERFOR: "Vocational Training Strategies for the Informal Urban Sector"
S.V. Sethuraman (WEP): "The Urban Informal Sector and ILO Activities"

33. But in institutional terms, one of the more interesting stocktaking has been that associated with the Training Department of the ILO. Though one of the largest divisions within the ILO, it never really got involved (in terms of policy and programmes) with the implications of the informal sector for its own work. Like Kenya writing its sessional paper around the informal sector in 1986, the Vocational Training Branch of the ILO itself only pulled together its Workshop of Experts on Training in the Urban Informal Sector in Developing Countries in April 1987. In terms of our discussion about the impact of research on policy, it could be said that even in the ILO the timelag for this informal sector research to cross the corridors from WEP and influence vocational training policy had been some fifteen years. This, of
course, did not mean that nothing related to training and the informal sector had taken place in the interim; there had been a great deal of work in Latin America, associated with CINTERFOR. But there has not really been a policy paper on training and the informal sector which had emerged from headquarters. By 1989, something analogous to a state-of-the-art study on training for the informal sector should be available, synthesizing a whole series of review materials from the 1987 workshop and elsewhere. Its title: Training for Work in the Informal Sector (29).

VII. RETROSPECTIVE AND PROSPECTIVE ACCOUNT OF ISSUES AND PROPOSITIONS ON THE INFORMAL SECTOR

34. In this section, we shall attempt to stand back somewhat from the research done and the policies adopted, and make a number of propositions about biases and gaps in our past and present understanding of the informal sector as it relates to employment policies.

(a) The continuing tendency is to think of the urban informal sector as conceptually separate from the rural. Running through the literature and the policies has been a fundamental division between urban and rural. Large numbers of projects, programmes, seminars, and conferences, and even whole institutional departments within agencies such as the ILO, have tended to be either urban or rural. For example, rural training projects are quite separate from urban, as are rural industrial development programmes from urban. The result is that the rural and urban informal sectors still inhabit separate universes, and there are very few research or intervention projects that have conceived of them as part of a single economy. Thus urban informal sector workers have been counted separately, as have agricultural and non-agricultural rural enterprises. But in many cases, these three modes are part of the same household. Research such as that being pursued by Arne Tostensen in Norway and Poul Pedersen in Denmark seek to look across these divisions (30).
Informal sector research and policies have insufficiently taken account of the multiple roles of the individuals comprising different types of households. In many African households which are spatially divided between rural and urban areas, and functionally divided as individuals among different kinds of work, the research and policy interventions (and indeed Census Bureau) have frequently not been able to deal with the way that the informal activity is imbedded in household maintenance and production. Thus, formal sector workers such as government doctors and teachers can spend almost as much time on their second informal job (private practice or private tuitions) as on their main job. This is not a question of two part-time jobs, but something nearer to two full-time jobs, since the second job can be pursued every day "after work," and all weekend. In professional families that are rurally based, the two formal sector jobs (of husband and wife) can be combined with food production, petty business, cash crop farming, and domestic work. In many cases, elements of domestic production and farming are carried out by hired labor or poorer relations, but at wage rates far below those in the formal sector. The children of such families regularly combine schoolwork with supplementary work on the family farm or in petty trade, especially where their school has adopted double shift patterns. The degree to which the informal economy is imbedded within households that work in the formal sector is very widespread, and is by no means restricted to the extreme cases such as Uganda or Ghana. There is in this sense a double subsidization of the formal sector wage by the informal; at the level of the household, many urban worker's wages are subsidized by the rural half of the household, but at the level of the individual, also, the wage or salary job is significantly subsidized by a variety of second income-generating activities.

In poorer families, whether entirely rurally-based, urban-based or divided between the two, the multiple roles are different but equally complex. For example, policy interventions in the informal sector for women typically fall into the income-generating category, but don't sufficiently take account of the existing "full-time" activities of women in domestic work and food production. Given the existing division of labor within the
household, it should not be surprising that so many income-generating projects have failed to generate income (31).

(d) At the macro-level, the processes of "informalization" of the economy need to be monitored carefully. In Africa, the increasingly obvious retreat of the state from its earlier goal of providing services has meant a dramatic rise in the informal provision of health, training, housing, transport, law, and even education. The state's incapacity to deliver and maintain even those services which were near to universal (primary education and primary health care) underlines the fact that whole sections of these basic services are now being handled informally. The policies of decentralization and community control have not led to formal district-based taxation systems in many situations, but to a whole welter of informal levies and charges which are project or community-specific. Even with the education sector, which is widely thought to be part of the formal sector, it is now clear that whole sections of it are really imbedded in the informal economy. The whole of pre-school provision in rural and poorer urban areas is built and funded through informal levies, and staff are similarly paid. Primary schools are also built through the village economies, and it is becoming increasingly obvious to central governments that they can only keep within their budgets by employing large numbers of untrained teachers, at sometimes 50 percent less pay than trained teachers, and without any of the social benefits. In Kenya, these have recently been referred to as "permanent casuals" (32). At higher levels, too, much of secondary education, and a great deal of training provision are actually organized or subsidized by private, community or informal arrangements. In the foreseeable future, there is little or no likelihood of the state taking full responsibility. So, in addition to teachers participating in the informal economy through an essential second job, such as private tuition, the education system itself can be characterized as significantly imbedded in the informal rural and urban economy. The "normalization" of untrained teachers and community responsibility for schools do need to be monitored closely, whether in Chile or in parts of Africa, where the informal sector and the rhetoric of community control and financing can be used to justify the retreat of the state from local provision.
(e) The limitations of the state, the impact of structural adjustment and the rise of informal taxes for services need to be analyzed together. Although tax status is frequently used as a way of separating the formal from the informal economy, insufficient attention has been given to the role of informal tax systems for providing or maintaining services. Given the poor record of central and district level taxation attempts, such levies do act as taxes on the informal economy. In the wave of current interest in formal arrangements for community financing, user fees, etc., it will be important to have a comprehensive view of how communities and individuals are already contributing through informal schemes to the provision and maintenance of rural services. Different arrangements are made for the provision of different services. In the case of health, the limitations of primary health care schemes have strengthened the use of indigenous medicine. The same would be true of legal services, and even of agricultural extension, but different for water, education and communications. A mapping of the changing regimes for providing basic services in rural areas would remind us that the State has been unable to finance the massive extension of Government funded services into rural areas, along the lines sketched out by Harbison at Kericho 20 years ago.

(f) The periodization of local/political concern with self-employment and the informal economy can be examined over the past twenty years, and it can be seen that there has been something of a moving frontier even within Africa. For many countries, there was certain to be a disjunction between the timing of the international research and policy recommendations on the informal sector and what were perceived as local priorities. (33) There are now parts of Africa where the informal economy is becoming unionized and taxed, and other parts such as Botswana or even Zimbabwe where the absolute shortage of traditional employment opportunities for secondary school leavers has just recently made an impact on the political consciousness. The policy impact of research carried out in 1974 in what was then Rhodesia by Davies or in Botswana in 1977 by Colclough (34) was likely to be rather restricted. It is not being suggested that there are some inevitable stages of growth to be
found in the informal economies of Africa. But what is missing in the series of detailed case studies of the informal sector in a particular town, or trade, or sector (such as medicine) is the comparative picture, which would take account of different national and regional traditions of enterprise, educational expansion and State intervention in the delivery of services. The first attempts to look across the continent, such as JASPA's *Informal Sector in Africa* do not begin to deal with the direction and dynamic of the informal economy.

(g) *The preoccupation with the "productive" side of the informal economy has underplayed the ordinariness of formal services and of the informal economy as a whole.* There has been a natural concern in many agencies with support to the "productive" enterprises in the informal economy. The history of this preoccupation with the productive is understandable, given the image of the sector as merely hawking and other casual services. The emphasis, of course, on those trades in the informal sector which were parallel to regular apprenticeable trades in the formal sector was probably also something that appealed to the ILO in particular. It did not mean that there has been virtually no attempt to look across the services, as well as the informal economy of child-care, training, health, education and law. The ordinariness of the informal economy has been underemphasized both by those looking at it through petty commodity production as well as through small-scale enterprise lenses.

(h) *The intersectoral divisions within international agencies, ministries and within the research community make it extremely difficult to analyze the interconnectedness of the informal (or "ordinary") economy.* The plethora of quite separate departments dealing with such matters as income-generating projects for women, small-enterprise development, vocational training, early childhood intervention, etc., means that there can frequently be a series of partial visions of an economy which we have suggested straddles rural and urban areas, and is imbedded in the multiple roles of both formal and informal sector households. Even in the World Bank, the tendency has been for the sector policy papers not to raise the question of many of the
intersectoral consequences. For instance, the World Bank policy paper on Education Policies for Sub-Saharan Africa make virtually no reference to employment implications of the policies for "adjustment, revitalization and expansion," either for the formal sector or for the ordinary economy (35). And in this present paper, we have found it impossible, even in a single country (Kenya) to follow through the policy consequences for specific sectors such as housing, transport, technology policy, credit; we have therefore been able only to illustrate the policy impact on education. In view of this, it could well be important as part of the reassessment of the ordinary economy in the late 1980s to have a series of representatives of different disciplines examine the picture of local provision of basic services in countries as different as Uganda, Nigeria and Kenya.

(i) There is a need for employment policies to take into account important processes of informalization of what was once thought to be "stable employment" in the modern capitalist sector at the same time as "stable self-employment" in the rural or urban areas is also being affected by new market forces. In the 1970s, when the Employment Mission was arguing the importance of pervasive links between formal and informal activities (for example through subcontracting), there was little explicit attempt to connect such recommendations with the possible consequences of industrial restructuring in the OECD countries. In the late 1980s, it has become important to connect the informalization processes in industry and services now visible in industrial countries with parallel features in developing countries (36).

(j) In many countries, especially in Africa, a term such as the "ordinary economy" would more accurately reflect popular and historical realities than the term "informal economy". In the 1980s, there seems to be some point in re-conceptualizing the informal sector as the ordinary economy, cutting across rural and urban areas, agriculture and commerce, across survival skills and income generating strategies. It is seen as the economy that builds most of a nation's houses, runs most of its transport, makes most of its clothes, and trains most of its young people. In other words, it is
seen as a mass economy, providing increasingly the work, as well as the health and the training that the State and the formal economy cannot aspire to provide in the foreseeable future. Regardless of any change in terminology, a long view of the impact of the informal sector upon employment policies at the national level would probably suggest several outcomes. The principal of these might be that the close connections between the informal sector and self-employment and self-reliance have probably had the effect of somewhat reducing the degree of political concern about employment creation and "open unemployment." The discovery by researchers, the ILO and finally policy makers and politicians that the majority of what had earlier been thought of as "unemployed primary and secondary school-leavers" were actually working probably did take a good deal of steam out of the "unemployment crisis." As a consequence, it took a good deal of steam out of the pursuit and formulation of employment policies. Instead of concentrating on expensive schemes, the State was perhaps able to believe that it could now concentrate on giving some supplementary support (through schools and other institutions) to a system that seemed to be taking care of work creation without any formal intervention.

VIII. CONCLUSIONS ON THE RELATIONSHIP BETWEEN RESEARCH AND POLICY IN THE INFORMAL SECTOR

35. Given the direction that these working propositions have taken, we might well conclude here with some remarks on the possible shape of a research enterprise on the informal sector that sought to take these propositions into account. The first and most obvious comment must be that researchers ought to be increasingly aware of the distinction between Government policies explicitly aimed at the informal sector on the one hand, and the implications that larger Government actions may have for the informal sector. That is to say, Government may continue to avoid legislation actively promoting the informal sector, but its very inability to provide services on the scale to which it once aspired is directly encouraging the rapid growth of the informal service economy. These latter "policies" touch much larger groups of people
than some of the earlier explicit policies, which had specific targets. This
may mean that the aim of researchers seeking to influence policy may no longer
be to change such specific legislation as hawking and vending licenses, but it
may now need to relate to the much wider role of the State in serving the
needs of ordinary people. This will inevitably mean that researchers will
need to analyze the role of the informal economy in a weak State which may
nevertheless continue to want to influence sectors which it is unable
effectively to finance or control. In other words, the control the Government
exercises over the operation of the informal sector will have to grow out of a
much wider analysis of political economy.

36. In effect, this challenges the research community (whether
departures or local) to rethink some of the most basic relations among the
fields of education, training, and work. On the assumption that "practitioner
competence" is a crucial ingredient in success in the informal sector, a
number of States are demanding that primary schools orient their pupils in
this direction. But these new obligations laid on schools come at a time when
such institutions are finding it increasingly difficult to deliver even the
basics of the traditional curriculum. Other States are turning to training
bodies, but these, too, are finding it difficult in the middle of a long term
financial crisis to consider the training needs of the ordinary economy.
Still other States assume that the crucial elements of competence can be
picked up on the job, with some selective access to extension personnel for
information about credit, marketing, materials, etc. But here, too, in the
area of extension services, we are witnessing a major retreat in the State's
capacity to provide minimum coverage. What this means is that with the
weakening of all three "supplier organizations" of skills and knowledge to the
informal sector, there may be a real problem in accessing some of the
necessary increments to merely learning on the job. These sources of
technological competence and commercial competence may well be picked up on
the job, in the family, or in situations where there has been a strong
dominance of enterprise. But the problem is precisely that large numbers of
young people in many societies are inevitably embracing the informal economy
as simply an economy of survival. They are accordingly more dependent on
sources of initial support outside the family, and it is these that are likely to be in short supply in an economy of scarcity.

37. The research question embedded in this is whether the relative weakening of education, training, and extension resources will much affect the development of the informal sector. This may seem unlikely since the informal economy has been born out of a history of benign neglect, or indeed of the failure of formal schooling. But it is possible that the transition from subsistence informal sector enterprise to small-scale enterprise is one that was helped by access to some small external resources. Now with the inevitably much larger number of people entering the informal economy (because of the crisis in jobs and services in the formal sector) it may be worth analyzing to what extent the State does continue to offer any mechanisms that assist micro-enterprise in growing. Research may well be able to play an important role in mapping these sources of assistance (both Governmental and non-Governmental) to different forms of activity in the informal economy. In so doing, it is likely to reveal just how minute a fraction of current informal activity is helped in any way by the state and the NGOs. It is clear that significant changes in the theory of who is in the informal sector may well raise questions about present strategies of assistance to it. For instance, strategies to assist the maximum number of people in a small way may currently be hindered by priorities that help a rather small number of would-be entrepreneurs in a big way. At this moment, there are virtually no country-wide maps of how many micro-enterprises are assisted by Government schemes, the banks, and the NGOs, as well as discussions of comparative advantages of the various agencies involved. A precondition for the development of any directory of such initiatives must be some calculation of their scale and coverage. Without some statistical base on how few (or how many) are currently being assisted in a particular nation, it will be hazardous to pronounce on ways to assist the informal economy.

38. One of the most useful tasks for research in relation to the informal economy, therefore, would be to attempt to analyze on the one hand the forces now shaping the informal economy, and bringing new populations into
its orbit, and on the other hand, to map how significant in terms of coverage and impact are the many fragmented schemes that seek to assist the sector. Any such basic assessment is likely to raise rather important questions on the limits within which aid to the sector can be anticipated, and may also suggest realistic policies to guide both national and international agencies in the informal sector environments of the 1990s.
NOTES AND REFERENCES

1. See for instance:


10. I started a new project in Nairobi in July 1972, looking at patterns of non-formal skill acquisition (in the informal sector) blissfully unaware that a draft of the Kenya Employment Mission had just been completed and was being discussed that very week at ILO Geneva with agency representatives.


18. J. Weeks, "Introduction" to "Special Issue" from Institute of Development Studies, University of Sussex, Manpower and Unemployment Research in Africa (Montreal), Vol. 6, No. 2, November 1973, p. 4. Also on the intellectual history of the informal sector to that date, see Weeks, "An Exploration into the Nature of the Problem of the Urban Imbalance in Africa," in the same issue.


23. Ibid., p. 58.


25. B. Pratt, "Income Generating Programmes in Urban Areas -- A Research Proposal." Research and Evaluation Unit, Oxfam, December 1986. A sample of meetings would include:

- Inter-American Foundation USA, Urban Informal Sector and Small-Scale Enterprise, October 1986, the United States.
DSE, West Germany, **Vocational Training and Small Enterprise in the Informal Sector**, 2nd-7th November, 1986, Costa Rica.

ILO, Geneva, **Training in the Urban Informal Sector in Developing Countries**, 7th-11th April, 1987, Italy.

ISS, Nuffic, Holland, **Small Enterprise Development**, May-June 1987, Holland.

ILO, Geneva, **State-of-the-Art Meeting on the Informal Sector** (internal), September 1987, Switzerland.

FAU/DANIDA, Copenhagen, **Informal Sector as an Integral Part of the National Economy**, 28th-30th September, 1987, Denmark.

Technical University of Berlin, **Technical Co-operation for Self-Help**, 17th-20th October, 1987, West Germany.


IDRC, Canada, **Technology Policy and the Informal Sector**, 28th-30th October, 1987, Nigeria.


32. K. King, "The Popular Economy in Anglophone Africa," *op. cit.*


