The Persistent Growth in Size and Importance of the Informal Economy in African Countries: Implications for...

2 authors, including:

Munyae Mulinge
United States International University

Some of the authors of this publication are also working on these related projects:

- Children's Rights [View project](#)
- Organizational Change [View project](#)
Munyae M Mulinge & Margaret M Munyae

The Persistent Growth in Size and Importance of the Informal Economy in African Countries: Implications for Theorising the Economy and Labour Markets

Abstract

Two basic elements of the dual approach (or model) – the dual economy and the dual labour markets – form the subject of this paper. These two have remained the dominant structural approaches to economic and labour market segmentation especially in the industrialised world. This paper evaluates the utility of these models for analysing the economic and labour market structures in African countries. In light of the persistent growth of the informal economy, its ascendancy into a near leading role in the national economies of these countries and the changing attitudes towards the sector by governments, international organisations, aid agencies and NGOs, it is argued that the replicability of the dual models in their present formulation in African countries remains suspect and calls for some rethinking. Two alternative proposals are advanced to redress the inadequacies of the dualistic approaches. The first involves a redefinition of the dichotomous segments presented by economic and labour market dualism with the objective to broaden them by capturing directly the characteristics of the informal economy and labour market. The second alternative, the one considered to be more viable and therefore superior to the former, proposes a ‘triolistic’ approach that would treat the informal economic sector and labour market as additional segments that are distinctive from those proposed by dualism.

Introduction

This paper focuses on the dualistic approaches to the economy and labor markets with the objective of evaluating their utility for the study of these phenomena in the African continent. It examines the implications of the persistent growth and ascendancy to prominence of the informal economy in Africa for the theorising of economic and labour market segmentation. By segmentation we mean the existence of separate sectors/segments of the economy and labour markets (Thomas and Vallée, 1996). The paper assesses how well the dual economic and labor market models capture the economic and labour market realities in African countries in the light of the changing nature, persistent growth and rising importance of the informal economy and its concomitant labour market coupled with the changing attitudes towards the sector by state governments, international organisations, aid agencies and non-governmental organizations (NGOs). This task, however, does not include any attempts to disprove the dualistic approaches or to assert that the two typologies have no value in
sociological and economic studies in African countries today. Rather, it is confined to assessing the utility of the models in the wake of changing economic and labour market realities emanating from the rise to prominence of the informal sector as an alternative avenue for employment creation, income generation, poverty alleviation and development, among others, in developing countries in general and in Africa in particular. By so doing, it is hoped that more broad based models whose framework would be capable of incorporating the informal economy and labor market as separate entities can be reached.

The need to review the dualistic approaches before applying them to African countries becomes even more urgent in light of the fact that most of the works that culminated in the dualist theories (see, e.g., Averitt, 1968; 1988; Doeringer and Piore, 1971; Edwards, 1979; Hodson and Kaufman, 1982) concentrated on Western (industrialised) economies and were executed at a time when the informal economy had not assumed the kind of pivotal role it plays today in the national economies of most African countries. Indeed, it could be argued that a reformulation of the two models is necessary for both the developing and developed countries because the economic and labour market realities of today’s developed countries too cannot be analysed fully without factoring in the informal economy. In some developed countries such as France, the situation is complicated further by swelling numbers of migrants escaping political and economic turmoil in former colonies who cannot find employment and have to resort to informal sector activities. The recent media (television) talk of Senegalese street hawkers in Paris is illustrative.

**Economic and Labour Market Dualism**

Economic dualism refers to the organisational structure of capital into two distinct economic sectors characterised by separate types of firms, market mechanisms and labour markets (Hodson and Kaufman, 1982; Johnson, 1995; Thomas and Vallée, 1996). A variety of names such as ‘centre’ (or ‘core’) and ‘periphery,’ the ‘monopoly’ and ‘competitive,’ and the ‘concentrated’ and ‘unconcentrated’ economies (see e.g. Averitt, 1968; 1988; Hodson and Kaufman, 1982; Johnson, 1995; Rubin 1996) have been used to refer to the two sectors. However, regardless of the names used, the distinguishing characteristics between the two sectors are inherently the same. Broadly speaking, the two sectors differ in terms of economic size (i.e. number of employees and value assets), organisational structure, industrial location, factor endowment, time perspective, market share and concentration, profitability, and general importance to the economy (Averitt, 1968; 1988; Johnson, 1995; Rubin, 1996).

Centre economies consist of large powerful firms whose products or services are in high demand and have market positions that are relatively stable over the long run (Johnson, 1995). Core firms employ large numbers of workers, make large profits, generate large sales (product diversification), have a high degree of capitalisation, are oligopolistic, rely on international (concentrated) markets, and show high rates of unionisation. In addition, they operate as price setters, use advanced technology,
practise long-range planning, tend towards vertical integration (formal control), are
managerially decentralised and are geographically nationally or internationally
dispersed (Averitt, 1968; 1988; Edward, 1979; Johnson, 1995). Peripheral economies,
on the other hand, incorporate those firms of varying sizes whose market position tends
to be highly competitive and thus unstable (Johnson, 1995). Firms in this sector are
characterised by the opposite of the dimensions found in centre firms. That is, they are
small, less profitable, produce a small range of related products, are labour intensive,
are competitive, rely on local relatively unconcentrated limited markets, and
demonstrate low rates of unionisation. They are price takers, have lower levels of
technology, practise short-run planning, have no vertical integration, have centralised
management often revolving around a single individual and are less dispersed
distinctive characteristics of the economic core and periphery is presented in Table 1.

Table 1: Distinctive Features of the Core and Peripheral Economic Sectors

<table>
<thead>
<tr>
<th>Economic Core</th>
<th>Economic Periphery</th>
</tr>
</thead>
<tbody>
<tr>
<td>○ Operation in national and international markets</td>
<td>○ Local and regional markets</td>
</tr>
<tr>
<td>○ Concentrated assets and employ large labour forces</td>
<td>○ Small in terms of assets and workers employed</td>
</tr>
<tr>
<td>○ Operate in monopoly market contexts</td>
<td>○ Operate in relatively competitive markets</td>
</tr>
<tr>
<td>○ Capital intensity (relies on expensive technology rather than on cheap labour for production)</td>
<td>○ Labour intensive (production based on low levels of technology)</td>
</tr>
<tr>
<td>○ Contribute significantly to the country’s Gross National Product (GNP).</td>
<td>○ Contribute minimally to the country’s Gross National Product (GNP).</td>
</tr>
<tr>
<td>○ Central to the health of the entire economy</td>
<td>○ Disappear with little impact on the larger economy</td>
</tr>
</tbody>
</table>


The segmentation of the economy has been associated with a similar segmentation of
the labour market (Edwards, 1979; Weakliem, 1990; Bridges and Villemez, 1991;
Rubin, 1996; Thomas and Vallee, 1996) and hence the dual labour market model. The
dual labour market approach was first clearly and best articulated by Doeringer and
Piore (1971). It refers to the dichotomisation of labour within capital structures into
two distinctive segments. According to labour market segmentation theorists (see e.g.,
Doeringer and Piore, 1971; Edwards, 1979; Weakliem, 1990; Bridges and Villemez,
1991; Rubin, 1996), all jobs are not arranged in a single labour market. Rather, jobs cluster into distinctive segments that include the ‘primary’ and ‘secondary’ labour markets. Workers and employers in the two markets operate by fundamentally different behavioral rules. The primary labour market offers good jobs that embody the following traits: High wages and fringe benefits, good working conditions, employment stability and job security, equity and due process in the administration of work rules, clear chances for advancement, greater unionisation for workers, and greater than average degree of training for workers (Piore, 1971; Doeringer and Piore, 1971; Edwards, 1979; Johnson, 1995; Rubin, 1996; Thomas and Vallée, 1996; Gupta, 1997; United Nations, 1997). Standing in stark contrast to the primary labour market is the secondary market whose jobs are decidedly less attractive. These jobs are characterised by low wages, little or no fringe benefits, poor working conditions, high labour turnover, often arbitrary and capricious supervision, weak or nonexistent unionisation, little opportunity for acquiring skills, and little opportunity for advancement (Piore, 1971; Doeringer and Piore, 1971; Edwards, 1979; Johnson, 1995; Rubin, 1996; Thomas and Vallée, 1996; Gupta, 1997; United Nations, 1997). The distinctive characteristics of the two labour markets are summarized in Table 2.

Table 2: Distinctive Features of the Primary and Secondary Labour Market Segments

<table>
<thead>
<tr>
<th>Primary Labour Market</th>
<th>Secondary Labour Market</th>
</tr>
</thead>
<tbody>
<tr>
<td>High wages and fringe benefits</td>
<td>Low wages and little or no fringe benefits</td>
</tr>
<tr>
<td>Highly skilled workers</td>
<td>Little skill required from workers.</td>
</tr>
<tr>
<td>Greater Unionisation</td>
<td>Weak or nonexistent employee unions</td>
</tr>
<tr>
<td>More autonomy</td>
<td>Limited autonomy</td>
</tr>
<tr>
<td>Cleaner/ better working environment</td>
<td>Poor working conditions</td>
</tr>
<tr>
<td>Relatively secure jobs</td>
<td>Little job security</td>
</tr>
<tr>
<td>Clear lines of advancement (career ladders)</td>
<td>Limited mobility chances (no career ladders).</td>
</tr>
<tr>
<td>Relatively stable employment/ low turnover.</td>
<td>Unstable jobs (high turnover).</td>
</tr>
</tbody>
</table>


The primary labour market is sometimes segmented further into two smaller distinctive segments, namely, the ‘independent’ and the ‘subordinate’ primary labour markets (Rubin, 1996; Johnson, 1995; Edwards, 1979). Jobs in the independent primary labour market are associated with relatively higher levels of creativity and autonomy and
greater participation in decision making, problem solving and initiative. Incorporated in this segment are upper-level managers and corporate executives; professionals (e.g. doctors, lawyers and university professors) and technical experts; long term clerical, sales and technical staff; and craft labour (Rubin, 1996; Johnson, 1995). According to Rubin (1996) entrants into the independent primary labour market require advanced training or specialised schooling. Although the subordinate primary labor market shares many of the ‘primary’ benefits of the independent primary segment, its jobs tend to be more routine and emphasise discipline, dependability, and obedience to authority (Rubin, 1996; Johnson, 1995). The segment is made up of unionised blue-collars lower-level sales and administrative and clerical workers.

The Informal Sector in Africa

The term informal sector dates back to the early 1970s when it was coined to describe certain characteristic features of production and employment in Less Developed Countries (Hart, 1973; Bryant, 1982; ILO, 1993). Although the term was used at first in making reference to that sector of the urban economy which did not appear in the national accounts statistics, gross national products (GNP) or official figures for national wealth (De Grazia, 1984), thereafter it was to be employed typically in reference to the ways of making a living outside the formal wage economy in small size (micro-scale) enterprises that avoided official regulation and taxation (Lubell, 1991; Macharia, 1992). Even then, the definition of the informal sector has tended to vary and the term has been used variously to cover a whole range of activities that vary in nature, size and even legal status. Consequently, a commonly agreed upon definition of the informal economy is yet to evolve (De Grazia, 1984; Suarez-Berenguela, 1987; Hope, 1997). The literature is laden with terminologies such as ‘underground,’ ‘hidden,’ ‘black,’ ‘unrecorded,’ ‘unofficial,’ ‘clandestine,’ ‘concealed,’ ‘irregular,’ ‘marginal’ ‘autonomous,’ ‘secondary,’ ‘parallel,’ ‘subterranean’ and ‘twilight,’ among others (see, e.g., Suarez-Berenguela, 1987; Harding and Jenkins, 1989; Hope, 1997). Most observers, however, prefer to list the characteristics of the informal economy as a way of identifying those activities that fall within it, rather than try to define it. For the purpose of this paper, the informal economy will be viewed as that sector of production and/or distribution of goods and/or services that is unregulated by the government (Roberts, 1989; Hope, 1997). It will encompasses economic activities which are outside the scope of ordinary laws and regulations that govern matters such as the establishment of shops and workshops, registration, tax and social security obligations, health and safety, labour-management relations, welfare provisions and supervision of technical skills and product quality (Roberts, 1989; Macharia, 1992).

The informal economy has sometimes been described as ‘illegal’ (Castells and Portes, 1989; Macharia, 1992). However, based on Castells and Portes (1989), this is only partially true. They argue that the total informal economy can only be illegal to the extent that the term (illegal) is used in the sense that production is legally unregulated. Otherwise, most informal economic activities are not illegal in themselves. Similar sentiments are expressed by Harding and Jenkins (1989), the Organization for
Economic Cooperation and Development – OECD – (1982) and Macharia (1992) who suggest that, although the circumstances within which most informal economies are practiced render them illegal, the greater majority of participants are engaged in legitimate (legal) economic activities or occupations. The informal sector, however, does incorporate a truly illegal segment made up of illegitimate activities such as smuggling, trafficking of drugs, armed robbery, prostitution, acceptance by officials of gifts after they have done favours and the purchase of goods suspected to be stolen, to mention a few (Jiménez, 1989; United Nations, 1997).

The Origins and Characteristics of the Informal Economy

Although the recognition of the existence of the informal sector as a feature in world economies was a long time coming, the sector itself is not unique to developing countries (United Nations, 1997). It has existed in all regions of the world including the industrialised nations of the United States and Japan. Also, the informal sector is not a recent creation. Writing about a century ago, for example, Engels (1920p.:85) talked of a ‘Surplus Population’ in England that kept its body and soul together by begging, stealing, street-sweeping, collecting manure, pushing hand carts, driving donkeys, peddling or performing occasional jobs. In Africa, the informal economy originally arose in response to the problems of survival associated with rapid urbanisation and unemployment (Nafzinger, 1988; Hope, 1997; United Nations, 1997). During the original stages the most dominant activities included hawking or petty trading, crafts and marginal production. Most governments reacted to the existence of the sector as though it was a transient phenomenon that would gradually disappear as the formal economy grew and consumed more labour (Thomas and Vallée, 1996; United Nations, 1997). However, rather than wither away, the informal economy has grown substantially to become a major employer of the labour force (Hope, 1997; United Nations, 1997). Its range of activities has expanded dramatically to the extent of making virtually every good and/or service provided in formal sector available in it. The participants have also changed considerably to now incorporate professional and managerial cadres some of whom are permanently employed in other formal sector activities in the public and private sectors (Hope, 1997; United Nations, 1997).

The causes of the existence and persistence of an informal economy are many and varied. They include unemployment, formal sector economic crisis, declining wages in the formal sector, the demand for goods and services in the larger economy and the inability of the formal sector to provide the same (Nafzinger, 1988; Harding and Jenkins, 1989; Jamal and Weeks, 1993; McPherson, 1996; Hope, 1997; United Nations, 1997), among others. Unemployment, however, seems to come out as the most important cause that cuts across nations. Unemployment, of course, has causes too but these are beyond the scope of this paper. It is the incapacity of the formal economic sector to create adequate jobs to assimilate the available labour force (Harding and Jenkins, 1989; Hope, 1997; United Nations, 1997) that could be said to be mainly responsible for the emergence of the informal economy in African and other developing countries.
Table 3: Formal and Informal Sectors: Traditional Descriptive Features

<table>
<thead>
<tr>
<th>Features</th>
<th>Formal Sector</th>
<th>Informal Sector</th>
</tr>
</thead>
<tbody>
<tr>
<td><strong>Market Structure:</strong></td>
<td></td>
<td></td>
</tr>
<tr>
<td>i) Output Market:</td>
<td></td>
<td></td>
</tr>
<tr>
<td>● Barriers to entry</td>
<td>● No barriers to entry</td>
<td></td>
</tr>
<tr>
<td>● Oligopolistic</td>
<td>● Competitive firms</td>
<td></td>
</tr>
<tr>
<td>● Brand name, standardised products</td>
<td>● Nonstandard, non-registered products</td>
<td></td>
</tr>
<tr>
<td>● Handle relatively complex (sophisticated) products</td>
<td>● Handle relatively simpler products</td>
<td></td>
</tr>
<tr>
<td>● Protected markets (quotas, import licenses, tariffs)</td>
<td>● Unprotected markets</td>
<td></td>
</tr>
<tr>
<td>● High returns to monetary and human capital</td>
<td>● Low returns to monetary and human capital</td>
<td></td>
</tr>
<tr>
<td>ii) Factor Markets:</td>
<td></td>
<td></td>
</tr>
<tr>
<td>● Restricted access</td>
<td>● Easy access, competitive</td>
<td></td>
</tr>
<tr>
<td>● Subject to labour legislation</td>
<td>● Non compliance with labour legislation</td>
<td></td>
</tr>
<tr>
<td>● Access to formally organised domestic and foreign credit institutions (markets) where interest rates are substantially lower</td>
<td>● No access to institutional credit; relies on relatively unorganised informal credit markets where interests rates are substantially higher or, rely on self-financed</td>
<td></td>
</tr>
<tr>
<td>● Generalised credit transactions</td>
<td>● Highly monetised activities</td>
<td></td>
</tr>
<tr>
<td><strong>Technologies:</strong></td>
<td></td>
<td></td>
</tr>
<tr>
<td>● Imported (modern) technology</td>
<td>● Adapted (traditional) technology;</td>
<td></td>
</tr>
<tr>
<td>● Reliance on more rather sophisticated tools and advanced skills</td>
<td>● Reliance on simple tools and relatively less demanding skills</td>
<td></td>
</tr>
<tr>
<td>● Capital intensive production</td>
<td>● Relatively labour intensive production</td>
<td></td>
</tr>
<tr>
<td>● Imported inputs</td>
<td>● Domestic inputs</td>
<td></td>
</tr>
<tr>
<td>● Requires formal education</td>
<td>● Nonformal learning by doing</td>
<td></td>
</tr>
<tr>
<td><strong>Industrial Organization:</strong></td>
<td></td>
<td></td>
</tr>
<tr>
<td>● Large, corporate registered firms</td>
<td>● Small, unincorporated, unregistered firms</td>
<td></td>
</tr>
<tr>
<td>● Specialised firms</td>
<td>● Highly diversified units</td>
<td></td>
</tr>
<tr>
<td>● Large-scale operation</td>
<td>● Small-scale operation</td>
<td></td>
</tr>
<tr>
<td>● Diffuse domestic and foreign ownership</td>
<td>● Domestic (family) enterprises</td>
<td></td>
</tr>
<tr>
<td>● Permanent full-time occupations</td>
<td>● Permanent and seasonal part-time activities</td>
<td></td>
</tr>
<tr>
<td>● Limited direct tax evasion</td>
<td>● Generalised tax evasion</td>
<td></td>
</tr>
<tr>
<td>● Wage earners, formal labor contracts</td>
<td>● Self-employed, piece work, non-remunerated family workers</td>
<td></td>
</tr>
<tr>
<td>● Institutionally fixed (usually high) wage rates</td>
<td>● Flexible low (near subsistence) wage rates</td>
<td></td>
</tr>
<tr>
<td>● Profit-maximizing firms, whose main goal is capital accumulation</td>
<td>● Income-generating firms, whose main goal is labour force ‘reproduction.’</td>
<td></td>
</tr>
</tbody>
</table>

The persistence of the sector could also be explained in terms of the effects of the economic crisis dating to the mid-1970s that has swept through many nations subjecting many people to harsh living conditions (Nafzinger, 1988; McPherson, 1996; Hope 1996; United Nations, 1997). The low rate of economic development associated with this economic crisis has made it virtually impossible for nation-states to satisfy the basic needs of their populace. It has resulted in the contraction of formal employment, increasing poverty rates, poverty wages and salaries and scarcity of basic goods and services (Jamal and Weeks, 1993; McPherson, 1996; Hope 1997; United Nations, 1997), among others. According to Hope (1997:59), the informal economy represents the ‘populace’s spontaneous, yet creative rational, response’ to this situation. Another important cause of the informal economy, one that is related to unemployment, is the inadequate wages in the formal sector (Lubell, 1991; Jamal and Weeks, 1993; Hope, 1997; United Nations, 1997). Not to be overlooked too are other causal factors such as the demand for goods and services in the larger economy and the inadequate provision of the same by the formal sector either due to excessively high prices, inaccessible location, or actual lack of supply (Tjihuiko, 1995; King, 1996; Hope 1997; United Nations, 1997).

Informal sector activities may vary from nation to nation but the informal economy in general seems to share common characteristics. These include ease of entry (little capital requirement), small scale operation, reliance on indigenous resources, labour intensiveness (less capitalisation), the use of adopted technology and reliance on skills acquired outside of the formal education system and training (see, e.g., Suarez-Berenguela, 1987; Nafzinger, 1988; Thomas and Vallée, 1996; United Nations, 1997). Other characteristics are family ownership of enterprises, reliance on unregulated and competitive markets, absence of unionisation, price taking, and horizontal networks of organisation.

The existence of an informal economy has a dualistic implication; it presupposes the existence of a ‘formal’ economy to which it relates (Harding and Jenkins, 1989) and whose characteristic features are an exact opposite. A comparative summary of such descriptive features is presented in Table 3. However, despite opposing characteristic features, the informal and formal economies cannot be described as completely independent of each other. Not only does some systematic and dependent linkage between the two sectors exist with many informal sector activities having close links with production and consumption in the formal economy, but most informal sector activities are also a preoccupation of the formal sector (Beneria, 1989; Lubell, 1991; Jamal and Weeks, 1993; Hope, 1997). As Beneria (1989) puts it, the informal sector is an integral component of total national economies, rather than a marginal appendix to them.

The existence of an informal economic sector by implication suggests the existence of an equivalent labour market to be termed here the ‘informal’ labour market. This forms the unprotected segment of the labour market. It contains what are often considered to be marginal and unprotected jobs that are characterised by lower level earnings, lack of
fringe benefits, self employment or loose and often temporary agreements (casual nature of employment), and less job security or protection (Suarez-Berenguera, 1987; Johnson, 1995; Thomas and Vallée, 1996; Rubin, 1996; United Nations, 1997). The segment is also associated with poor working conditions; lack of advancement opportunities; lack of protection by minimum wage laws, social security and other types of government regulations; and high turnover rates.

The Centrality of the Informal Economy in Africa

Initially, the informal economy was viewed as a labour market phenomenon arising from an excess labor in the urban areas of African and other developing countries (Hope, 1997; ILO, 1993). That is, it served as an employment outlet for migrants from rural areas who could not find work in the urban formal sector. Activities performed in the sector were often poorly remunerated and this made the sector ‘to be regarded as a transformation of rural underemployment into urban underemployment’ (ILO, 1993: 1). As a result, it was thought that this segment of the economy would be absorbed automatically as jobs became available in the public sector and as formal private sector industries grew (United Nations, 1997). However, as indicated earlier, the informal sector has grown to assume a prominent role in the economies of virtually all African countries. Today, the informal economy appears to be the most rapidly growing economic sector in these countries (Hope, 1997; United Nations, 1997). It is no longer merely a collection of survival niches occupied by destitute people on the margins of society (Hope, 1997; Rogerson and Preston-Whyte, 1991). Rather, it is a dynamic sector that is characterised by both professional and nonprofessional economic undertakings some of which have come to be associated with high incomes that, in some cases, often exceed those in the formal sector (Rogerson and Preston-Whyte, 1991; Hope 1997).

Broadly speaking, the importance of the informal sector in Africa can be perceived in terms of its invaluable contribution to economic and social development (King, 1996; McPherson, 1996; United Nations, 1997). Those who support the sector view it as an engine of growth that can enable poor countries to attain ‘redistribution with growth’ or more equitable income distribution and growth simultaneously (McPherson, 1996). Compared to the public (and parastatal) sector, the informal sector in many African countries appears to offer a viable avenue for economic development. As King (1996) indicates, unlike the public sector which can be ruled unsuccessful in many developing countries, the informal economy has been dynamic. It has been characterised by high levels of competitiveness rather than monopolies associated with the public sector. One may also add that, unlike the parastatal sector which has been a drain to the economies of most developing countries by siphoning huge sums of money from central governments in the form subsidies, the informal sector has been able to survive without government subsidies.
The role of the informal sector in socio-economic development has been propelled to greater heights by World Bank and International Monetary Fund (IMF) mandated structural adjustment programmes aimed at revamping African economies (Lubell, 1991; ILO, 1993; Brand, Mupedziswa and Gumbo, 1995; United Nations, 1997). As vulnerable groups continue to be impacted negatively by these programmes in terms of the shedding of jobs in the public sector (which unfortunately has been the dominant employer in African countries) and state withdrawal from the provision of social and welfare services like health and education, the informal sector will increasingly play a pivotal economic role. Indeed, according to the United Nations (1997), an era of economic crisis coupled with structural adjustment brought out the qualities of the informal sector and persuaded African governments and important international development and financial institutions about its role as an alternative source of employment generation, income generation, productivity, economic growth, development and poverty alleviation. Not to forget the rampant corruption and mismanagement that have blanketed most developing countries resulting in both the devastation of formal and declining domestic and foreign productive investments (ILO, 1993; Hope, 1997).

The major way in which the informal sector can contribute to socio-economic development in African countries is through the eradication of poverty, which still remains a big problem for virtually all African countries. This is expected to occur through contribution to gross domestic product (GDP), the creation of jobs for what would otherwise be an unemployed (and poor) labour force, the generation of income (Jamal and Weeks, 1993; McPherson, 1996; Hope, 1997; United Nations, 1997) and the provision of livelihood for much of the nonagricultural population (Dessing, 1990). Being an integral part of the monetary economy in all African countries, the sector has become a significant contributor to the gross domestic and national product (Hope, 1997; United Nations, 1997). Overall, its average contribution to the GDP is estimated at 20 per cent; its contribution to the GDP of the non-agriculture sector averages 34 per cent (United Nations, 1997). This figure is expected to climb to about 66 per cent by the year 2020 (The Economist, 1990). In Kenya, in particular, the sector has been shown to contribute about 35 per cent of the GNP (Main, 1989) while in South Africa its contribution to the GDP has been estimated at about 40 per cent (Testa, 1989). In Guinea, Tanzania, Burkina Faso, Nigeria and Niger respectively the sector contributes about 38, 10.3, 30, 24.5 and 20 per cent of the GDP (United Nations, 1997). This contribution of the sector to the GDP is considerably greater in most countries than that of the manufacturing sector. Take Guinea as an illustration; here 96 per cent of manufactured goods come from the informal sector (United Nations, 1997).

Although the informal sector was practically unknown in Africa in the 1960s, since the 1970s it has grown to become a leading employment creator (Jamal and Weeks, 1993; Hope, 1997; United Nations, 1997). The sector is thought to be the most important labour sponge in Africa’s labor market during the decade of the 1990s creating about 60 to 70 per cent of new job openings (United Nations, 1997) and providing employment to large numbers of individuals who would otherwise be jobless.
regardless of their education and training (World Bank, 1990; Endale 1995; Hope, 1997). This growth in the importance of the informal sector as a generator of jobs has been associated with the evaporation of the growth, security and stability of formal sector employment in most countries (Jamal and Weeks, 1993; Endale, 1995; United Nations, 1997), declining real wages in urban and rural areas and the excessive supply of school leavers poised to enter the labour market (Nafzinger, 1988). During the 1980s, the total labour force employed in the informal sector in all African countries was as high as 19 million people; the formal sector then only provided 2 million new jobs (United Nations, 1997). In 1991 it was estimated to employ about 23.2 million (25 per cent) out of a total labour force of about 95 million in all of Africa. In Cameroon, the share of informal sector employment was estimated to be 1.2 million out of a total labour force of 5.2 million.

In Togo, Ghana, Tanzania and Nigeria respectively the informal sector employed about 0.4 million out of 1.3 million, 1.3 million out of 5.6 million, 2.2 million out of 11 million and 11.8 million out of 38.5 million during 1991 (ILO/JASPA, 1991:103, cited in United Nations, 1997). In Kenya, on the other hand, a 1993 baseline survey of micro and small enterprises by J. C. Parker and T. R. Torres revealed that Kenya had about 90,000 such businesses nationwide employing about 2 million people or 16 per cent of the working age population. In the Southern African countries of Botswana, Lesotho, Swaziland and Zimbabwe, the micro and small enterprise sector is estimated to employ about 16.9%, 17.4%, 23.8% and 28% of the population aged 15 or more years, respectively (World Bank, 1993; Liedholm and Mead, 1992; Hodd, 1991). In Namibia where small scale and informal industries were virtually nonexistent at independence, the sector was estimated to employ about 30 per cent (150,000 people) of the country’s work force by 1995 (Tjihuiko, 1995). Generally speaking, existing estimates in virtually all African countries indicate an upward trend in job growth in the informal sector (Nafzinger, 1988; United Nations, 1997).

Overall, estimates have placed the share of the urban labour force engaged in the informal sector in all developing countries anywhere from 20 to 70 per cent (Endale, 1995; ILO, 1991). By the year 2020, the figure is estimated to increase to 95 per cent (World Bank, 1990; The Economist, 1990). In Africa, in 1991 the sector accounted for 65 per cent of the urban labour force (United Nations, 1997). Available data indicate that the sector accounts for well over half of the employment in urban areas in Ghana (53%), Nigeria (69%), Kenya (58%) and Tanzania (51%) (ILO, 1991). The average annual growth rate of employment in the urban micro and small enterprises in Kenya, Lesotho, South Africa and Swaziland are estimated at 21.2%, 12.2% 23.9% and 12.3% respectively. For Zimbabwe, Botswana and Niger, on the other hand, the rate stands at 9.0%, 17.4% and 8.9% respectively (Liedholm and Mead, 1992; Daniels and Fisseha, 1992). Such growth rates are higher than those recorded in terms of formal sector employment (McPherson, 1996).

An important feature of employment in the informal economy is the increasing participation of women as an entrepreneurial group (Jordan, 1994). In Zambia, for
example, women account for over 66 per cent of the informal production in the service sector (excluding transportation). In Ghana, on the other hand, about 92 per cent of employed women are in the informal sector compared to 69 per cent of employed men. For Egypt the shares are 74 per cent for women and 46 per cent for men while in Tanzania the proportions are 95 per cent and 84 per cent for women and men respectively (World Bank, 1995). In Nigeria, 94 per cent of street food vendors are women (UNDP, 1995) and in Katutura, Namibia, about 60 per cent of the hawkers are women (Frohlich and Frayne, 1991).

The informal sector has also evolved into a major source of income in African countries (Nafzinger, 1988; Lubell, 1991; Jamal and Weeks, 1993; United Nations, 1997). According to Jamal and Weeks (1993), the income difference between the formal and informal sectors is diminishing and the life styles and living conditions of those deriving their livelihoods from each sector is becoming similar. Estimates of incomes in informal sector activities have consistently shown that average earnings of informal sector enterprise heads are higher than the official minimum wage in the formal sector (Lubell, 1991). A substantial proportion of total urban incomes in many developing countries are found in the informal sector. In Burundi, Madagascar, Senegal and Mali respectively the sector contributed about 30, 44, 58 and 68 per cent of total urban income (United Nations, 1997).

The informal sector plays a significant role in the development of entrepreneurship (McPherson, 1996; Hope, 1997; United Nations, 1997). The sector is considered to have the capacity to serve as ‘an entrepreneurial “seed bed”, with entrepreneurs graduating to run the larger industries’ (McPherson, 1996:p. 254). According to the United Nations (1997), success stories of modern entrepreneurs who began their businesses in the informal sector abound in Africa. To illustrate, the United Nations cites the case of the garment maker in Botswana who began with US$ 100 in personal savings but now employs about 65 workers with annual sales of US$ 30,000 and the Malawi case of a youth who became self-employed at age 18 and is now the owner and managing director of four companies engaged in diverse activities in the tobacco industry.

Besides being a major source GDP, employment, income and entrepreneurship, the informal sector also serves to expand trade in most African countries, provides cheaper alternatives to goods and/or services supplied by the formal sector and acts as a training ground for human resources (World Bank, 1991; Tjihuiiko, 1995; King, 1996; Hope, 1997; United Nations, 1997). The expansion of trade has taken the form of domestic informal trade and international informal trade (United Nations, 1997). While the former is the more common activity, the flow of unrecorded and unregulated goods and services between African countries is thought to have been expanding (ECA, 1991). With regard to the training of human resources, the informal sector is considered to provide cheap but efficient training ground for unskilled workers (Republic of Kenya, 1986; World Bank, 1991; United Nations, 1997). This is best summed up by the Kenya government Sessional Paper No. 1 of 1986 when it states:
Obviously the modern, urban, industrial sector cannot be depended on to employ much of the growing work force. To employ people on small farms, in very small-scale industry and services, or in self-employment takes only a fraction of the £16,000 per worker required in the modern sector. Clearly the bulk of the work force will have to be productively employed in these activities (Republic of Kenya, 1986: 2).

According to King (1996), the training provided by the informal sector corresponds to many of the criteria that are associated with appropriate training for less developed countries. Further more, it is entirely local and unsubsidised and takes place within very close proximity to the workplace and is therefore tied very closely to the needs of the workplace (World Bank, 1991).

Finally, the informal economy is important in rural financial markets in many African countries. Through it, capital for productive purposes can be mobilised directly out of savings by individuals (Hope, 1997). In Africa, in the absence of institutional lenders, the sector constitutes the dominant source of credit in rural areas (Hope, 1997). In Zambia, for example, during 1981 to 1982 about 43 per cent of the total loans in rural areas came from the informal economy (Mrak, 1989); in Nigeria the figure was 84 per cent for 1986 (World Bank, 1989). Indeed, virtually everywhere in Africa, a dominant feature of rural finance is the existence of informal finance through Rotating Savings and Credit Associations – ROSCAs (World Bank, 1989; Aredo, 1993; Hope, 1997). These are groups that come together to pool their money into a fund which is rotated until every member has benefited. They are characterised by what Hope (1997) refers to as balanced reciprocity; each member draws out of the fund as much as he/she puts into it. In Addis Ababa (Ethiopia), over half the households are members of ROSCA (Aredo, 1993) while in Cameroon membership among adults is estimated at 80 per cent (Schrieder and Cuevas, 1992). In Zambia, on the other hand, about 80 to 90 per cent of the urban population is said to participate in ROSCA (Mrak, 1989).

Changing Attitudes Towards the Informal Sector

Until recently, economists and scholars in the African countries, state governments, international organisations, donor agencies and NGOs considered the informal sector to be transitory in nature and thought it would disappear with the advent of development (United Nations, 1997). As a result, little or no systematic and sustained attention or action/assistance was directed towards it. This trend has since changed and now state governments, individual economists, international organisations, donor agencies and NGOs show renewed interest and support for the development of the sector (Lubell, 1991; Jamal and Weeks, 1993; Brand, et al., 1995; King, 1996; McPherson, 1996; United Nations, 1997). Generally speaking, it is the slowdown in economic growth in Africa that has occurred beginning in the 1980s that has stimulated renewed interest in the role of the informal economy as a producer of goods and services, a creator of jobs, and as a contributor to the alleviation of poverty (Lubell, 1991; ILO, 1993; McPherson, 1996; Hope, 1997; United Nations, 1997).

More specifically, the realisation that stagnation of the formal sector has rendered it incapable of coping with the numbers of new job seekers and the demand for cheap
goods and services has persuaded economists, African governments, international organisations, donor agencies and NGOs about the role of the informal sector as an alternative source of employment generation, income generation, productivity, economic growth, development and poverty alleviation in Africa. In Zimbabwe, for example, some economists have advanced the view that the country’s future economic growth is largely contingent upon the growth of the informal sector (Brand et al., 1995).

Initially, many governments in the developing countries either neglected or discouraged and/or harassed the informal sector (Brand et al., 1995; McPherson, 1996; Hope 1997). However, since the 1972 ILO mission to Kenya, the potential economic contribution of the informal sector has been slowly recognised by governments (Jamal and Weeks, 1993) in the African continent. There are now indications that government attitudes toward the sector have changed and many governments are responding to the mission’s call for the removal of discrimination against the sector by according it renewed attention potential (McPherson, 1996; King, 1996; United Nations, 1997). In light of the autonomous and self-propelling nature of the informal economy, its great potential for the generation of cheap employment, its efficient production and distribution of goods and services, its contribution to the GDP and general economic growth utilising indigenous resources and without undue need for government subsidies (Hope, 1997; ILO 1993), governments in Africa have had no choice but to show interest in the sector and adopt a more positive attitude toward it. Policy makers have begun to assess the potential of the sector as an engine of economic growth so as to enable it to contribute its full capacity. To protect the vibrancy and resilience of the informal sector and to unleash it and nurture its job creation and entrepreneurial potential further, governments have take various steps including the development of policies that encourage the growth of the sector (Hope, 1997; United Nations, 1997). Some of such policies have aimed at integrating the sector into national economic policy making and evolving a framework that would legalise business and other activities in the sector (Hope, 1997). In addition, governments have tried to provide technical, production, management and marketing assistance to the more viable enterprises (Lubell, 1991; King, 1996; McPherson, 1996).

In appreciation of the centrality of the informal sector to the economic growth and development in the Southern African region, for example, SADC member states held a workshop in 1995 to discuss the promotion of small and micro-enterprises in the region. During the workshop, member states reiterated that the small micro-enterprise sector had become one of the more significant creators of job opportunities in the Southern African region (Wolfgang and Thomas, 1995) and considered its strengthening to be one of the preconditions for faster economic growth and development. In Kenya, the crucial role of the informal sector in micro-economic policies was the subject of a cabinet discussion in anticipation of the publication of the Sessional Paper No. 1 of 1986. In Namibia, on the other hand, the government has put together an action plan for the period 1995-2000 to guide the growth of the small and micro-enterprises sector (Tjihuiko, 1995). One can also cite the case of the Zimbabwe government as another
illustration of the renewed commitment of African governments to the informal sector. Here, since independence the government has adopted ‘a less actively discouraging position and ...’, in very recent years has increasingly withdrawn from attempts to regulate the sector’ (Brand et al., 1995: 137). The frequency of ministerial acknowledgment of the sector’s importance as a source of employment has increased attention to aiding the sector has become an explicit part of the country’s structural adjustment plans (Government of Zimbabwe, 1991). Policies have been designed to guarantee a ‘level playing field’ between the large scale (formal) sector and the micro small enterprises (informal) sector and efforts have also been made to provide assistance (such as equipping of entrepreneurs with management, bookkeeping, and marketing skills and the availing of credit) to particular small-scale enterprises (McPherson, 1996).

The renewed interest in the informal sector by African governments has also taken the form of a re-orientation of national schooling systems toward self-employment and the recognition of the job creation in the informal economic sector (King, 1996). In Kenya, for example, by 1995 the government had introduced a major restructuring of education and training with greater emphasis on vocational, scientific and technological development. The technikon system in South Africa and the move toward more vocational and technical educational curricula that is evident across most of Africa also be construed in the same light. In some countries government commitment to the sector has also been reflected through a willingness to subcontract work to it so as to exploit its efficient production techniques and access to inputs (Hope, 1997). Kenya is a case in mind. The Sessional Paper No. 1 of 1986 states that ‘Government will issue new regulations to tendering to require ministries and district authorities to favor small-scale producers’ (Republic of Kenya, 1986:p.56).

The admiration of the informal sector has also led to a shift in the attitudes and policies of international organisations. International organisations such as the ILO, ECA, UNDP and the United Nations, having recognised the role of the informal sector in the development process, have extended considerable support to the sector in terms of devising programmes that would improve the sector and providing forms of assistance such as management training and technical assistance (ILO, 1991; UNDP, 1994; United Nations, 1997). The United Nations system in the 1990s called for enhancing the importance of the informal sector in the development of African national economies. In addition, the United Nations New Agenda for Development of Africa in the 1990s (UNNADAF), the Tokyo Declaration, the Copenhagen Declaration and the Beijing Platform of Action for Women incorporated provisions in support of the sector (United Nations, 1997). In response to such support an international workshop on development of Africa’s informal economy was co-organised by the United Nations’ Office of the Special Coordinator for Africa and the Least Developing Countries (OSCAL) of the Department for Policy Coordination and Sustainable Development (DPCSD), the Regional Bureau for Africa of the United Nations Development Programme, and the Department for Development Support and Management Services (DDSMS) from 13 to 15 June 1995 at the United Nations Headquarters (United

Attitude and policy changes towards the informal sector have also been experienced by external donor agencies and NGOs. Since the 1980s, the number of donor agencies and NGOs that have been supporting programmes in the development of the informal sector economic enterprises has grown rapidly (Lubell, 1991; King, 1996; McPherson, 1996; United Nations, 1997). Agencies such as the United States Aid for International Development (USAID), the German Technical Cooperation Programme (GTZ), the Swiss Agency for Development Cooperation, Danish International Development Agency (DANIDA), Canadian International Development Agency (CIDA) and Swedish International Development Agency (SIDA) have been involved in programmes that assist governments to design and formulate policies and strategies to promote the informal sector, initiate training programmes in business managerial technical skills and marketing in the operation of enterprises and set up credit schemes with viable and flexible options for financing the sector. Similarly, it has become commonplace for NGOs to support schemes that touched the informal sector in many different ways e.g., micro-enterprise credit, entrepreneur training, income generation schemes for women, appropriate technology development programmes for informal sector artisans (King, 1996).

**Discussion**

As stated earlier, this paper is designed with a view to assessing the fit of the dual models when applied to economic and labour market structures in African countries today. It questions the utility of such models in the wake of persistent growth in the size and prominence of the informal economy and its concomitant labor market in these countries. To accomplish this task, the paper is guided by some of the past criticisms that have been labeled against the two models. While these models remain the dominant approach applied to the study of economic and labor market structures and have been considered by Averitt (1988) to have survived sociological testing quite well, they have been criticised variously. Of particular significance to this paper is the critique by Baron and Bielby (1984) and Hodson and Kaufman (1982). They concur that the dichotomisation of economic activities by the dual approach represents an oversimplification of reality. While Baron and Bielby view the segmentation taxonomies posited by dualism as overly stylised ideal types that obscure reality more than they inform, Hodson and Kaufman contend that the assumptions of duality in structure and a one-to-one parallelism between economic sectors and labor markets impose an overly restrictive conception of economic and labor market segmentation. Baron and Bielby and Hodson and Kaufman also consider the model to more descriptive rather than explanatory/predictive. This characteristic, argue Hodson and
Kaufman, makes the dual model inadequate for sustaining theoretical and empirical development.

Criticisms like the above, and more so the first one, suggest the need to re-evaluate the dual theory of economy and labour market segmentation. In the developing countries in general and in Africa in particular, such sentiments are not new. In their study of ‘Labor Market Segmentation in Cameroonian Manufacturing,’ Thomas and Vallée (1996), for example hinted at the possible existence of more than the two labour market sectors referred to by segmentation scholars such as Piore (1975) and Piore and Berger (1980). They argued that the coexistence of several causes of segmentation in the same labor market may give rise to the above situation. However, they failed to pursue the issue further or even to delineate the actual number of sectors and their names. Existing evidence also points to earlier attempts to reconceptualise the economies of less developed countries using a three-sector model that incorporated the urban formal sector characterised by institutionally fixed wages, the rural sector and the urban informal sector both of which are characterized by flexible wages (see e.g. Khan, 1992a; 1992b; Gupta, 1993; Chandra and Khan, 1993). Such models, however, have aggregated both rural and urban economies and, like dualism, they have dichotomised the urban economy into the urban formal and urban informal sectors.

The main justification for the need to recast the dualist model in light of the current economic and labour market realities obtaining in Africa lies with the fact that the informal economy and labour market in these countries have become quite clear, salient and permanent features of virtually all national economies. As can be discerned from the discussion ensuing earlier, the informal economy has become a recognised solid foundation for economic growth and development, a major source of employment for both nonprofessional and professional labor, a major source of revenue and income, a training ground for human resources and an alternative source of goods and/or services once provided by the formal economy. Given the increasing rate of unemployment in African countries, stagnation of the formal public and private sectors, the endemic corruption that hampers both domestic and foreign productive investments, a corresponding growth in the informal economy and labor market will continue to occur thereby elevating the significance of this sector and its concomitant labour market further. In addition, the ability of the informal economy to continue playing the afore mentioned roles will be conditioned by the policies pursued towards it and how the sector relates to the formal economy. To sustain the emergent momentum toward positive policies, however, calls for a better understanding of the functioning of the informal economy in addition to an acknowledgment of the role the sector plays in the general economy. One way of creating such an understanding would be the development of a theoretical framework (or model) that does not subsume the sector but incorporates it as a distinctive element.

Consistent with Baron and Bielby (1984) and Hudson and Kaufman (1982) and in solidarity with the sentiments expressed by Thomas and Vallée (1996) and the past efforts of scholars such as Khan (1992a; 1992b), Gupta (1993) and Chandra and Khan
(1993), it is argued that the conventional interpretation of core and periphery sectors of the economy and the primary and secondary segments of the labor market have increasingly lost step with economic and labour market realities of African countries today. Reference is being made to an informal economy, and a consequent labour market, whose sizes and importance have expanded considerably over the years to become permanent and separate entities from the formal economy and labor market. Any meaningful conceptualisation of the African economies and labour markets must, therefore, reflect this reality by treating the informal economy and labour market independently of any other sectors that it may delineate. As it now stands, the dualist approach presents an ineffective tool for the attainment of such a goal. That is, the dualist approach is not a suitable ideal type for conceptualising today’s economy and labour market segmentation in Africa and the rest of the developing world.

A closer look at the dualistic dichotomies of core-periphery economic sectors and primary-secondary labour markets reveals that these, by definitional implications, do not encompass the informal economy and consequently the informal labour market. The informal economic sector of the 1990s, for example, has characteristics that do not exactly overlap with those traditionally associated with either the centre or the peripheral economic sectors as delineated by the dualist approach. To illustrate, the informal sector is now said to be characterised by dynamism and growth, jobs whose wages sometimes surpass those found in the formal sector, professional occupations and emerging access to governmental and nongovernmental credit facilities and technical support (McPherson, 1996; Hope, 1997; United Nations, 1997), among others. By implication, the same could be said to be true of the informal labor market.

To redress the inadequacies of the dualist model to integrate the informal economy and labour market into the theorising of economic and labor market segmentation in Africa, two possible alternative proposals are suggested. The first would involve retaining the dualist model but adjusting it to reflect explicitly the emergent characteristics of the expanded informal economy and labour market rather than subsume them as the current dualist approach appears to have done. In this scheme of things, the dualists’ periphery and the informal economy would be combined to comprise a much broader peripheral economic sector. In the same vein, the dualists’ secondary labour market would be married to the informal labour market to constitute a much broadened secondary labour market. Although reflecting the same structural set ups proposed by dualism, the proposed ‘new’ and broadened peripheral economic sector and secondary labour market segment would differ from those posited by the existing dualist approach by directly incorporating characteristics of the informal economy and labor market rather than merely subsuming them. It would constitute what may be considered to be more encompassing dual dichotomies of core-periphery economies and primary-secondary labour markets that approximate the actual structural realities in Africa’s economies and labor markets today.

The proposal presented above, it should be noted, does not in anyway support the views of those who would propose a retention of the dualistic dichotomies on the
grounds that the informal economy is just a ‘holding ground for people awaiting entry into the formal sector’ (Chana and Morrison, 1975:122). As demonstrated earlier, this view which was prevalent in most developing counties during the 1960s and 1970s has failed to withstand the test of time since the informal economy has continued to expand and assume increasing economic significance. The proposal, however, has one major weakness. It fails to circumvent the main (enduring) criticism of dualism isolated earlier. That is, the tendency to oversimplify reality. On the strength of this criticism, which we consider to be a legitimate concern, to merge the informal economy and labour market with the peripheral economic sector and secondary labour market, respectively, would be to further simplify what is already an oversimplified reality. It would blur further the relationship between different economic activities and labour market operations (Jenkins, 1989). A closer visual impression of the characteristics of the centre, the periphery and the informal sectors, indeed, reveals that these are quite distinct. Thus, there is no justification for collapsing the dualists’ periphery and the informal economy into a broadened peripheral economic sector. The same could be said about the labour market associated with the informal economy. Although there might be overlaps between some of the characteristics of the dualists’ secondary segment and the informal segment, the two still stand out to be distinct. It is this dilemma that renders the above proposal ineffective.

An alternative proposal, one that is considered to be more viable, would be to shoot for what amounts to economic and labour market ‘triolism’ instead of the expanded dual segments proposed above. In place of a dichotomous structure, this approach would delineate three economic sectors and three labour market segments that, broadly speaking, are different. While the names to be utilised in referring to the three economic sectors and labour market segments might be a moot issue, such an approach would offer a more encompassing approximation of the economic and labour market realities in Africa. Terms that once adorned the economic and labour market literature such as the ‘core,’ ‘intermediate’ and ‘periphery’ and ‘primary,’ ‘intermediate’ and ‘secondary’ could be utilised to delineate the three economic sectors and labour markets respectively. The above proposal although consistent with that of three labour markets (rather than two) offered by labour market segmentation theorists such as Edwards (1979) and Piore (1975), is not similar to it. Edwards proposed a three sector labour market comprising the ‘subordinate’ primary labor market, the ‘independent’ primary labour market and the secondary segment. Piore, on the other hand, suggested a balkanisation of the primary labour market into ‘upper’ and ‘lower’ tiers. Both Edwards’ and Piore’s classifications, however, neither recognised the importance of nor included in their classification, the informal economy and labour market segments which are the thrust of this paper. The proposal is also different from the three-sector model presented by scholars such as Khan (1992a; 1992b), Gupta (1993) and Chandra and Khan (1993) that incorporated the urban formal sector, the rural sector and the urban informal sector.

Two reasons explain why the three economic sector and labour market structure proposed above is considered to be more persuasive than the expanded dualist
dichotomies confronted earlier. First, as emphasised elsewhere, the characteristics of the informal economy and labour market are not exact replicas of either those of the core economy and labor market or the peripheral economic and labour market segments. Second, the persistent existence and continued expansion of the informal economy and labour market have elevated the sector to play a leading role in the national economies of most African countries. It is now more clear than ever before that the sector presents a permanent, viable and distinctive economic alternative that merits separate recognition and independent treatment in the theoretical conceptualisation of economic structures and labour markets in these countries. The increasing government, and more recently international organisations, NGOs and aid agencies’, support for the sector is a conclusive demonstration of its recognition and will no doubt boost its vibrancy and resilience.

**Summary and Conclusion**

The major objective of this paper was to evaluate the fit of the dualistic approaches to the economy and labour markets in African countries in light of the growing size and importance of the informal economy. It presents evidence that testifies to the growing importance of the informal economy in the creation of employment, provision of goods and services and contribution to the general economic development. That is, the sector has developed to a point where it is directly accountable for improvements in the standards of living for large numbers of people and for general betterment of life in developing countries in general and in Africa in particular (ILO, 1993; McPherson, 1996; Hope, 1997; United Nations, 1997). Its development has now become an integral component of the strategy of poverty reduction that is recognised by national governments, donor agencies, international organisations and NGOs. To quote Hope (1997: 67), the informal sector has reached a level where it ‘must be regarded and treated as part of the solution to the current economic problems of developing nations especially those in Africa.’ And as the population in search of employment increases and the creation of jobs in that formal economy and other government related activity continue to fail to absorb all the additions to the labour force, the unprecedented rate of growth in the informal economy is expected to continue unabated.

On the basis of the perceived size and increasing importance of the informal economy in the economies of African countries coupled with the changing attitude by governments, aid agencies, international organisations and NGOs towards the sector, it is concluded that any meaningful structural conceptualisation of the economy and labour market can no longer afford to downplay this economic sector and its consequent labour market. Hence, the need to revisit the dualistic approach to economy and labour market segmentation with a view to incorporating the informal sector and labour market. To achieve this, two alternative proposals are offered. The first proposal posits a redefinition of dualism such as to broaden it by directly incorporating the characteristics of the informal economy and labour market. The second, on the other hand, advocates for the adoption of a semblance of economic and labour market ‘triolism.’ That is, the delineation of three distinctive and independent economic
sectors and concomitant labour markets. In this scheme of things, the informal economy and labour market would constitute separate entities that stand outside of, and are independent from, the dichotomous core-periphery economic sector and primary-secondary labour market segments associated with the dualistic approaches. Based on the enduring criticism of the dual model by especially Edwards (1979) and Hodson and Kaufman (1984) and the specific characteristics of the informal economy and labour market vis-à-vis those of the core and periphery economies and the primary and secondary labour markets respectively, this second proposal is considered to have more merit.

By proposing three economic sectors and three labour market segments, this paper does not assume homogeneity in sectors and segments. What is being proposed is a broad theoretical schema (or an ideal type) that can help social scientists in coming closer to capturing the economy and labour market realities that characterise African countries today. However, it is acknowledged that heterogeneity might characterise any of the sectors and/or segments delineated by a ‘triolist’ model. Indeed, differences are inherent through and through and even sectors/segments themselves are not independent of each other. Perhaps it would even make more sense if one talks about a continuum of three economic sectors and concomitant labor market segments.

References


*Munyae M. Mulinge*
Department of Sociology
University of Botswana
Private Bag 0022
Gaborone – Botswana
E-mail: mulingem@noka.ub.bw

*Margaret M. Munyae*
Department of Sociology
University of the North
Private Bag X1106
Sovenga, South Africa