



**Dealing With the Informal Economy:  
A Challenge for Trade Unions in Southern Africa**

**Trade Union Involvement In the Informal Economy in Namibia**

(Draft)

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**Abbreviations**

LaRRI	Labour Resource Research Institute
FES	Friedrich Ebert Stiftung
NUNW	National Union Namibian Workers
SMEs	Small and Medium Enterprises
NDP	National Development Plan
ABA	African Builders Association
NASA	Namibia Shebeen Association
OHA	Okutumbatumba Hawkers Association
PABMMA	Panel Beaters and Motor Mechanics Association
NABTA	Namibia Bus and Taxi Association
NAMSTA	Namibia Small Traders Association

## Introduction

To date, there is no universally accepted definition of the informal economy because of its complex nature. Thus countries have adopted country-specific definitions which suit their conditions. In Namibia, the informal economy is defined according to the definition given by the 1993 ILO International Labour Conference of Labour Statisticians which defined it as “enterprises which typically operates at low level organisation, with little or no division between labour and capital as factors of production, expenditure for production often is not distinguished from household expenditure” (MOL 2001:5). Thus all economic activities operating outside the recognised institutional framework are classified as informal economy operations. Furthermore, enterprises in the informal economy are generally small in terms of output and employment, tend to be labour intensive, use very little or no capital and skills, operate without proper business premises and mostly operate long working hours which exceed the minimum working hours as stipulated by the Labour Act (Loc. cit.).

### *Namibia’s informal economy at a glance*

The latest Namibia Informal Economy Survey (2001) estimates the number of people employed and operating in Namibia to stand at 132 607 compared to about 280 000 workers in the formal economy (MOL 2001 & Jauch 2004: 16). This number is smaller compared to the levels of the informal economy in other Sub-Saharan African countries such as Ghana. However it is worth noting that the informal economy Namibia is growing. Most people employed in the informal economy (either as workers or operators) are women (70 433 or 53,1%). The bulk of informal economy operators are found in rural areas (81775) compared to only 50 831 found in urban areas (see table 1).

**Table 1: Distribution of employed persons in the informal economy by sex and area**

Sex and Region	Total Number	Percent
Males	62 174	46.9%
Females	70 433	53,1%
Urban	50 831	38.3
Rural	81 775	61.7%

*Source: The Namibia Informal Economy Survey 2001*

The informal economy is structured in such a way that it has more operators (85 302) than workers (47 305). This simply means that most operators are own account workers who cannot afford to employ other people due to their limited incomes. Close to half of informal economy operators (47%) in Namibia are involved in the wholesale and retail sector (which basically covers the buying and selling of goods). Others are in manufacturing of food products and beverages industry (18.9%) and agriculture (11%) which includes growing crops; market gardening; horticulture, farming of animals and other agricultural activities. A gender analysis of type of business activities, occupations and areas revealed a gender division (Mwilima; 2006). For instance, female operators dominate retailing businesses whereas males dominate manufacturing and repairs. Also, occupations such as sales assistant, bartender (also supervising in a bar), cook, administrative work such as secretarial, receptionist and bookkeeping were all dominated by women. On the other hand, occupations such as carpenter, brick maker, cattle herder, driver, mechanical, welder, plumber etc were dominated by men (Loc. Cit). As regards area, the majority of female operators are found in rural areas as compared to males, whom the majority operates in urban areas.

**Table 2: Distribution of informal economy activities by sector, sex and area**

	Namibia			Rural			Urban		
	T	F	M	T	F	M	T	F	M
Growing crops; market gardening; horticulture	6.9	8.8	4.8	8.4	10.9	0.1	4.2	5	3.4
Farming of animals	3.4	1.6	1.6	4.8	2.1	0.1	0.9	0.6	1.3
Growing crops combined with farming of animals	0.3	0.3	0.3	0.5	0.5	0	0.1	0	0.1
Other agricultural activities	0.7	0.3	1.1	0.7	0.5	0	0.7	0.1	1.4
Fishing	1.2	1.3	1.2	1.5	1.6	0	0.8	0.7	0.8
Mining and Quarrying	0.3	0.4	0.3	0.3	0.3	0	0.4	0.5	0.2
Manufacture of food products and beverages	18.9	20.2	17.4	25.2	27	0.2	7.4	7.6	7.1
Manufacture of apparel; luggage, hand bags and footwear	2.2	3	1.2	1.3	1.8	0	3.9	5.4	2.3
Manufacture of wood and products of wood	3.5	3.7	3.3	4.9	5.5	0	1	0.4	1.6
Other manufacturing	1.4	1.4	1.5	1.7	1.7	0	1	0.7	1.2
Construction	0.8	0.2	1.4	0.5	0.3	0	1.3	0.1	2.6
Wholesale & retail trade; repair of motor vehicles	47	39.3	55.5	40.5	32.3	0.5	58.8	52.4	65.8
Hotels and restaurants	10.2	16.7	3	8.6	14.5	0	13.2	20.9	4.8
Transport, storage and communication	0.8	0.2	1.4	0.2	0.1	0	1.9	0.5	3.3
Other business activities	0.2	0.2	0.3	0	0.1	0	0.6	0.3	0.9
Other service activities	2	2.3	1.8	1	1	0	4	4.6	3.3

*Source: The Namibia Informal Economy Survey 2001*

### ***Informal economy contribution to GDP***

In Namibia, the contribution of the informal economy to GDP is not captured. However, the country captures the information on the contribution of Small and Medium Enterprises (SMEs). In 2003, SMEs contribution to GDP was 11 per cent, which was an increase from the previous year's 8 per cent (Gaomab; 2005). The contribution exceeded the target of 5 to 10 per cent forecasted for 2006. In terms of the sector's share in the labour force working full-time, its contribution increased by 4.8 per cent to 19.8 per cent in 2003. According to Gaomab (2005), SMEs share in total labour force exceeded the set target of 2.8 per cent annual growth rate in NDP2. The sector's contribution in terms of employment and economic growth is expected to grow further as its contribution to investment increased from 5.1 per cent to 8.5 per cent in 2003. Generally, an increase in investment is followed by more employment creation and growth (Loc. cit).

### **Self organisation in the informal economy**

#### ***Informal economy associations***

The growth of the informal economy has warranted the establishment of a number of associations organising informal economy operators. Some of the associations like the Namibia Sheeben Association and Okutumbatumba Hawkers Association were formed before independence in 1987 and 1989 respectively. These associations are also the most popular and have the highest membership despite the low membership levels (5.2%) (MOL; 2001). There are however no associations that organise workers in the informal economy. In 2002, the Namibia Small Traders Association (NAMSTA) was formed by a few associations. The main objective of forming NAMSTA was to “strengthen small scale, formal and informal businesses in the manufacturing, trades and services sectors to grow and become more competitive through self organisation for better access to resources, improved interest representation and provision of relevant services” (NAMSTA: 2002). NAMSTA serves as the umbrella body of the following associations:

- Okutumbatumba Hawkers Association (OHA)
- Namibia Sheeben Association (NASA)
- African Builders Association (ABA)
- Panel Beaters and Motor Mechanics Association (PABMMA)
- Namibia Bus and Taxi Association (NABTA)

The Informal economy Survey (2001) identified other associations such as the Namibia National Association of Workers in Business, Namibia Community Based Tourism and Namibia Credit Co-operative League which are not affiliated to NAMSTA.

The associations offer different services to their members, however the most common services offered are education and training, representation and negotiating services. Other services offered by very few associations include access to credit/ loans for businesses.

Since the formation of the associations, there has never been any collaboration between the unions and the associations. This could be attributed to the fact that unions organise workers while the associations organise business owners. None of the parties have approached each other for any possible relationship to be developed. The unions and the associations have some common members because some of the operators who are members of the associations are still employed in the formal economy as workers and have joined trade unions (Mwilima: 2006).

#### **Distribution of informal economy operators by membership to association**

<b>Name of association</b>	<b>Total number of members</b>	<b>Percentage (%)</b>
Okutumbatumba Hawkers Association	1165	1.4
Namibia Shebeen Association	836	1.0
Namibia National Association of women in Business	105	0.1
Namibia Small Traders Association	189	0.2
Panel Beaters and Motor Mechanic Association	73	0.1
Namibia Community Based Tourism	49	0.1
Namibia Credit Co-operative Union League	13	0.0
Other	1408	1.7
Not recorded	695	0.8
Not applicable	80 769	94.7
<b>Total</b>	<b>85 302</b>	<b>100.0</b>

*Source: The Namibia Informal Economy Survey 2001*

### **Services offered to members**

In general, informal economy associations offer their members representation on different levels with different stakeholders i.e. business people, government etc. In this regard, Namsta (the federation) was formed to represent the interests of small businesses at the Namibia Chamber of Commerce and Industry as the smaller businesses did not have representation. Informal economy associations currently offer a variety of services to their members. One of the services that they offer, which also happen to be one of the main reason why associations were formed is the provision of protection to the members against harassment from authorities. The associations offer their members services such as obtaining proper operating premises, access to wholesales to purchase their goods at discounted rates. As regards operating premises for their members, the association negotiated with government to provide shelter for the operators. Other services offered are:

- Boosting the capacity of the other smaller associations using the experiences gained by the Okutumbatumba and the Shebeen Associations.
- Rendering assistance in terms of development of the strategic planning of the smaller associations, review constitutions and develop good policies such as financial policies.
- Training business owners and workers on labour issues and business development.
- Providing education and training to members on how to run businesses
- Provision of loans to members and also containers from which to operate.
- The bulk buy programme where many business owners buy their stock together from various suppliers, thus being able to buy at discount prices.

### **Trade union involvement in the Informal economy**

Currently, the Namibian trade unions do not organise in the informal economy. Despite this, the unions have shown interest in intervening in the informal economy. It is in this regard that the NUNW and its affiliates have organised workshops and seminars to educate their leadership on the informal economy. Also, the NUNW formed an informal

economy committee. Due to lack of information on the peculiarities of the informal economy, the NUNW felt that a study was needed to understand this sector before they could intervene. Thus LaRRI conducted a study on behalf of the unions in the informal economy which could guide the unions' actions as regards the informal economy.

### **Services NUNW can offer to the informal economy**

The interviews with the NUNW revealed that, as an internationally recognised organisation, the NUNW can assist the informal economy in obtaining funds from international donors which can be used in building the capacity of both workers and operators through training and workshops. Furthermore, as many informal economy operators lack knowledge of and access to formal financial institutions, NUNW can play an important role in this regard of providing collateral to enable the operators to be able to have access to capital to start their businesses. Another political role identified by the NUNW that they could play is to lobby for policies that will benefit informal businesses and extend labour rights to workers in the informal economy. For instance, recently in 2006, the government decided to close all illegal Shebeens which did not comply with the Liquor Act. This led to trade unions and other civil society organisations standing up and condemning government's actions and advising them on the type of policies government should adopt to help the informal economy operators.

### **Organising strategies**

According to the coordinator of the informal economy committee, when organising in the informal economy it is better to target both workers and operators. This approach is more suited to the informal economy which would require unions to do more work with regards to education and training for both operators and workers. Unlike in the formal economy with its clearly distinct relationships between employers and employees, the boundaries are less clear in the informal economy. For instance, some people are employees in the formal economy whilst they are employers in the informal economy, thus giving them dual roles.

### **Challenges in organising in the informal economy**

The biggest challenge that is likely to face the NUNW and its affiliates in organising the informal economy is that of organising and recruitment strategies due to the lack of skills in dealing with the informal economy. This challenge is paramount because the informal economy is quite different from the formal economy in terms of employment relations and accessibility to operators and workers. Another challenge that will face NUNW and its affiliates is enticing informal economy operators and workers to join the unions. In the formal economy workers join the unions expecting higher wages and protection against their employers and to some extent unions have been able to meet these expectations. In the informal economy, wages are generally low in most cases due to lower incomes made by employers. Thus unions will not be able to meet the workers demands, which could ultimately lead to workers losing confidence in the union's ability to help them.

Another challenge that is likely to face NUNW and its affiliates is that of limited resources (both human and capital). Unions are able to sustain themselves because of the membership fees payable by their members. The challenge for NUNW and its affiliates is that due to low and irregular wages in the informal economy, they cannot expect to generate any substantial income from organising in the informal economy. Thus the unions will have to find other ways of generating income which will be used to cover the costs of organising in the informal economy.

### **The way forward for NUNW in the informal economy**

Despite the fact that it is a big challenge to organise the informal economy, NUNW and its affiliates have shown commitment towards organising the informal economy. This is based on the fact that the informal economy is growing and is likely to continue growing to an extent where it will become the dominant sector replacing the formal economy as it has happened in other countries. Thus the continued survival of unions depends on their ability to intervene and get membership in the informal economy.

However, in intervening in the informal economy, NUNW and its affiliates will need to formulate concrete strategies with regards to organising and resources. As there are

already informal economy associations organising operators, it might be a good idea for NUNW and its affiliates to work with the associations. NUNW and its affiliates will also need to find external resources to kick-start their programmes in the informal economy. The programmes should include awareness campaigns about unions and the benefits of joining unions, educational training on business and labour related issues.

Unions and the associations should engage government to boost their support for informal economy businesses. Because with the right support, these businesses can be turned to formal successful businesses which will play an important role in creating decent employment with living wages.

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