

**SEED WORKING PAPER No. 42**

**Role of the Informal Sector in  
Coping with Economic Crisis in  
Thailand and Zambia**

edited by

Gerry Finnegan  
and  
Andrea Singh

InFocus Programme on Boosting Employment  
through Small Enterprise Development  
Job Creation and Enterprise Department



International Labour Office • Geneva

Copyright © International Labour Organization 2004  
First published 2004

Publications of the International Labour Office enjoy copyright under Protocol 2 of the Universal Copyright Convention. Nevertheless, short excerpts from them may be reproduced without authorization, on condition that the source is indicated. For rights of reproduction or translation, application should be made to the Publications Bureau (Rights and Permissions), International Labour Office, CH-1211 Geneva 22, Switzerland. The International Labour Office welcomes such applications.

Libraries, institutions and other users registered in the United Kingdom with the Copyright Licensing Agency, 90 Tottenham Court Road, London W1T 4LP [Fax: (+44) (0)20 7631 5500; e-mail: [cla@cla.co.uk](mailto:cla@cla.co.uk)], in the United States with the Copyright Clearance Center, 222 Rosewood Drive, Danvers, MA 01923 [Fax: (+1) (978) 750 4470; e-mail: [info@copyright.com](mailto:info@copyright.com)] or in other countries with associated Reproduction Rights Organizations, may make photocopies in accordance with the licences issued to them for this purpose.

---

ILO  
*Role of the Informal Sector in Coping with Economic Crisis in Thailand and Zambia*  
Geneva, International Labour Office, 2004  
ISBN 92-2-115194-8

The designations employed in ILO publications, which are in conformity with United Nations practice, and the presentation of material therein do not imply the expression of any opinion whatsoever on the part of the International Labour Office concerning the legal status of any country, area or territory or of its authorities, or concerning the delimitation of its frontiers.

The responsibility for opinions expressed in signed articles, studies and other contributions rests solely with their authors, and publication does not constitute an endorsement by the International Labour Office of the opinions expressed in them.

Reference to names of firms and commercial products and processes does not imply their endorsement by the International Labour Office, and any failure to mention a particular firm, commercial product or process is not a sign of disapproval.

ILO publications can be obtained through major booksellers or ILO local offices in many countries, or direct from ILO Publications, International Labour Office, CH-1211 Geneva 22, Switzerland. Catalogues or lists of new publications are available free of charge from the above address, or by email: [pubvente@ilo.org](mailto:pubvente@ilo.org)

Visit our website: [www.ilo.org/publns](http://www.ilo.org/publns)

---

Printed in Switzerland

## Foreword

The International Labour Organization has taken a strong interest in the informal sector since as far back as 1972. At that time, it assessed the enormous significance of this unknown dimension of the economy while carrying out an employment mission in Kenya. The ninetieth session of the International Labour Conference, held in 2002, has undertaken a special discussion on Decent Work and the Informal Economy. The outcome reinforced and upgraded the ILO's long-standing interest in and concern for workers in the "informal economy".

The two studies covered in this report are the result of a valuable collaboration between the ILO and the United Nations Development Programme (UNDP). What is significant about the studies conducted in Thailand and Zambia is that they examined how people engaged in the informal economy coped with the changes brought about as a result of economic crisis. In Thailand, this took the form of the Asian financial crisis of 1997. In Zambia, recession resulted from Structural Adjustment Programmes and related economic restructuring. The studies also took account of the Sustainable Livelihoods Framework (SLF), as developed by several donors and international organizations, such as the UNDP and the UK Government's Department for International Development (DfID).

While the Sustainable Livelihoods' approaches aim to provide a holistic perspective on development issues, they also attempt to quantify and measure various forms of capital or assets that local communities – or people in the informal economy – have access to. These include financial, human, natural, physical and social capital (or assets). People's access to and use of these various forms of capital can be identified and quantified, as they change over time. Thus, the impacts of policies, programmes and developmental interventions can be assessed within the framework of this range of capitals.

The ILO's InFocus Programme on Boosting Employment through Small Enterprise Development (IFP/SEED) has produced this report as part of its series of working papers on a wide range of issues impacting on micro and small enterprises and the informal economy. The research was carried out under the leadership of Andrea Singh, formerly of IFP/SEED, in association with Gerry Finnegan, Senior Specialist in Women's Entrepreneurship Development in IFP/SEED and formerly working with the ILO in Bangkok, Thailand. In addition, Maria Prieto, formerly with IFP/SEED, assisted in implementing the global dimensions of this project, while Jens-Peter Dyrbek, Philip Jespersen and Dixon Moyo assisted with the Zambian component, and Chomesri Vichitlekakarn and Pracha Vasuprasat assisted with the Thai component.

The ILO is grateful to the National Institute for Development Administration (NIDA), and in particular to the team leader, Professor Juree Vichit Vadakan, for the research study in Thailand, and to Samuel S. Bwalya for the research study in Zambia.

Kees van der Ree  
Director (a.i.)  
InFocus Programme on Boosting Employment  
through Small Enterprise Development



## **Abstract**

This working paper takes a close look at how people in two countries – viz. Thailand and Zambia – and in particular those working in the informal economy, coped with economic crisis. The methodology borrows from the Sustainable Livelihoods approaches, as adopted by UNDP and DfID among others, and explores the impact of economic crisis on financial, human, natural, physical and social forms of capital. At times of crisis, people turned to their informal networks of family and friends for support. In addition, being a member of a local association was a positive support and tended to provide more economic options for association members. Borrowing also increased at times of crisis, and most of this went into financing household expenditure rather than investment in productive activities. In the Thai context, the effects of the economic crisis on employment showed that there was evidence of women becoming the main income-earners within their families. Children’s education was also adversely affected. Some were placed in “cheaper” schools, while others were put at greater risk as they had to leave school early to assist with their family’s income-generating activities.



## Table of contents

Foreword .....	iii
Abstract .....	v
Introduction .....	xiii
<b>Part I: Sustainable Livelihoods and the Role of the Informal Sector in Coping with Economic Crises in Thailand .....</b>	<b>1</b>
Executive Summary .....	3
<b>1. Overview of the informal sector in Thailand.....</b>	<b>5</b>
1.1 Sustainable livelihood approach.....	5
1.2 Macroeconomic context .....	6
1.3 Urban poor communities and the informal sector .....	7
<b>2. Data collection methodologies .....</b>	<b>9</b>
2.1 Aims .....	9
2.2 Data collection.....	9
<b>3. Analysis of household and community data.....</b>	<b>10</b>
3.1 Description of communities .....	10
3.2 Informal sector employment in the surveyed communities .....	12
3.3 Analysis of household assets/capital in the surveyed communities .....	13
3.3.1 Economic capital .....	13
3.3.2 Financial capital .....	16
3.3.3 Social capital .....	18
3.3.4 Physical capital.....	22
3.3.5 Human capital .....	23
3.3.6 Gender issues .....	27
3.3.7 Young people's issues.....	30
3.4 Household coping strategies.....	34
3.5 Analysis of institutional support in the surveyed communities.....	41
<b>4. Informal sector policy proposals for Thailand.....</b>	<b>47</b>
4.1 Preventative measures to counter migration .....	47
4.2 Land encroachment prevention .....	47
4.3 Exploitation prevention .....	47
4.4 Motivation to acquire new skills .....	48
4.5 Youth empowerment .....	48
<b>5. Conclusions .....</b>	<b>49</b>
Bibliography.....	53

<b>Part II: Sustainable Livelihoods and the Role of the Informal Sector in Coping with Economic Crises in Zambia.....</b>	<b>57</b>
Acknowledgements .....	59
Executive Summary .....	61
<b>1. Overview of the informal sector in Zambia .....</b>	<b>63</b>
1.1 Sustainable livelihoods and the informal sector .....	63
1.2 Macroeconomic context .....	65
<b>2. Data collection methodologies .....</b>	<b>69</b>
<b>3. Analysis of household and community data .....</b>	<b>70</b>
3.1 Description of households .....	70
3.2 Informal sector employment in the surveyed communities.....	70
3.3 Household capital and sustainable livelihoods.....	73
3.3.1 Economic capital .....	73
3.3.2 Financial capital.....	74
3.3.3 Social capital .....	75
3.3.4 Natural capital .....	78
3.3.5 Human capital.....	79
3.4 Household coping strategies.....	80
3.5 Institutional support in the surveyed communities.....	81
3.5.1 Peri-urban community: Petauke District .....	81
3.5.2 Rural communities: Mfuwe and Chiawa .....	82
3.5.3 Urban communities: Mandevu and Kalikiliki .....	83
<b>4. Analysis of informal sector policies in Zambia.....</b>	<b>88</b>
4.1 Analysis of existing policies and programmes in the informal sector.....	88
4.1.1 Industrial, commercial and trade policy .....	88
4.1.2 TEVET policy .....	89
4.1.3 Ministry of Community Development and Social Welfare (MCDSW) .....	90
4.1.4 Ministry of Labour and Social Security (MLSS) .....	91
4.2 Community-based organizations in the informal sector.....	91
4.3 Bilateral and multilateral organizations.....	92
4.4 Draft National Vendors' Policy .....	92
4.5 Youth unemployment and sustainable livelihoods.....	95
<b>5. Conclusions .....</b>	<b>97</b>
Bibliography.....	101
Annex I: Tables.....	103
Annex II: Institutional response to youth unemployment in Zambia.....	107

## List of tables of Part I

Table 1:	Number of poor communities in Thailand .....	8
Table 2:	Length of residence (Timruengvej) .....	10
Table 3:	Age of residents (Timruengvej) .....	11
Table 4:	Length of residence (Borbua Pratunam) .....	12
Table 5:	Age of residents (Borbua-Pratunam) .....	12
Table 6:	Occupations of heads of households (Timruengvej).....	13
Table 7:	Occupation of heads of households (Borbua-Pratunam).....	13
Table 8:	Household income from main occupation (Timruengvej) .....	14
Table 9:	Household's supplementary income (Timruengvej) .....	15
Table 10:	Household income from main occupation (Borbua-Pratunam) .....	16
Table 11:	Household's supplementary income (Borbua-Pratunam) .....	16
Table 12:	Average household expenditure (Timruengvej).....	17
Table 13:	Average household expenditure (Borbua-Pratunam).....	18
Table 14:	Educational level of households heads (Timruengvej) .....	24
Table 15:	Jobs of heads of households (Timruengvej).....	24
Table 16:	Types and levels of skill of households heads (Timruengvej) .....	25
Table 17:	Reasons for heads of households not attending training (Timruengvej).....	26
Table 18:	Educational level of heads of households (Borbua-Pratunam) .....	26
Table 19:	Types and levels of skills of households heads (Borbua-Pratunam).....	26
Table 20:	Reasons for heads of households not attending training courses (Borbua-Pratunam).....	27
Table 21:	Roles and responsibilities of women (Timruengvej) .....	28
Table 22:	Decisions made by women (Timruengvej) .....	29
Table 23:	Roles and responsibilities of women (Borbua-Pratunam) .....	30
Table 24:	Decisions made by women (Borbua-Pratunam) .....	30
Table 25:	Young people in age groups (both communities) .....	31
Table 26:	Youth occupations according to gender and age.....	32
Table 27:	Effects of economic crisis on households (Timruengvej).....	36
Table 28:	Strategies to sustain households during economic crisis (Timruengvej) .....	36
Table 29:	Sources of assistance to heads of households in emergencies (Timruengvej).....	37
Table 30:	Sources of household loans (Timruengvej).....	38
Table 31:	Uses of household loans (Timruengvej) .....	38
Table 32:	Effects of economic crisis on households (Borbua-Pratunam) .....	39
Table 33:	Strategies to sustain households during economic crisis (Borbua-Pratunam) .....	39
Table 34:	Sources of assistance to heads of households in emergencies (Borbua-Pratunam) ..	40
Table 35:	Sources of household loans (Borbua-Pratunam).....	41
Table 36:	Use of household loans (Borbua-Pratunam) .....	41
Table 37:	Household opinions on sufficiency of community assets (Timruengvej) .....	45
Table 38:	Household opinions on sufficiency of community assets (Borbua-Pratunam).....	46

## List of abbreviations of Part I

AIDS	Acquired Immune Deficiency Syndrome
BMA	Bangkok Metropolitan Administration
CPF	Central Provident Fund
DOE	Department of Employment
ILO	International Labour Organization
MOLSW	Ministry of Labour and Social Welfare
MPH	Ministry of Public Health
NESDB	National Economic and Social Development Board

NGOs	Non-Governmental Organisations
NHA	National Housing Authority
NIDA	National Institute of Development Administration
SD	Standard Deviation
SIF	Social Investment Fund
SL	Sustainable Livelihood
SLA	Sustainable Livelihood Approach
TDRI	Thailand Development Research Institute Foundation
UCDO	Urban Community Development Office
UNDP	United Nations Development Programme

## List of tables of Part II

Table 1:	Selected macroeconomic indicators (1991-1999) .....	66
Table 2:	Percentage distribution of total household income by rural/urban and gender .....	68
Table 3:	Sample sites and distribution.....	69
Table 4:	Household description by type of employment.....	71
Table 5:	Type of employment by community .....	72
Table 6:	Types of household economic activities by community .....	72
Table 7:	Type of employment by gender and age .....	72
Table 8:	Sources of capital for rural and urban informal sector entrepreneurs .....	74
Table 9:	Households' perception of economic reform and business environment.....	77
Table 10:	Average value of assets per household by area/town.....	79
Table 11:	Kinship and trust and household coping strategies .....	80
Table 12:	Some of the major institutions in the four communities surveyed.....	85

## List of abbreviations of Part II

ADMADE	Administrative and Management Design
CBOs	Community Based Organizations
CYCS	Commonwealth Youth Credit Scheme
CYFS	Constituency Youth Development Scheme
COMESA	Common Market for Eastern and Southern Africa
EU-PSDP	European Union Private sector Development Program
EEOA	Economic Expansion in Outlying Areas
FTA	Free Trade Area
GRZ	Government of the Republic of Zambia
HUZA	Human Settlement of Zambia
IMF	International Monetary Fund
ISOs	Informal Sector Operators
LCMS	Living Condition Monitoring Survey
NERP	National Economic Recovery program
NORAD	Norwegian Development agency
NGOs	Non Governmental Organizations
NPAY	National Program of Action for Youth
NYDC	National Youth Development Council
MCDS	Ministry of Community Development and Social Welfare
MCTI	Ministry of Commerce Trade and Industry
MLSS	Ministry of Labour and Social Security
MoFED	Ministry of Finance and Economic Development
MST	Ministry of Science and Technology
SEDB	Small Enterprise Development Board
SIDA	Swedish International Development Agency

SIDO	Small Industries Development Organization
SLA	Sustainable Livelihoods Approach
SLAMU	South Luangwa Administrative and Management Unit
SMEs	Small- and Medium-Scale Enterprises
SSA	Sub Saharan Africa
SWAPs	Sector-Wide Approach
TEVET	Technical Vocational and Entrepreneurship Training
UNDP	United Nations Development Program
UNECA	United Nations Economic Commission for Africa
ILO	International Labour Organization
USAID	United States Agency for International Development
VAG	Village Administrative Groups
VIS	Village Industry Service
WEDAZ	Women Entrepreneurs' Development Association of Zambia
YWCA	Young Women's Christian Association
ZACCI	Zambia Association of Chambers of Commerce and Industry



## **Introduction**

### ***Why this study?***

Following the onset of the financial crisis that started in Thailand in 1997, several countries in Asia were in the grips of a massive economic slump that led to factory closures and the loss of millions of jobs. The worst hit countries were some of the so-called “tiger economies”, the countries that had experienced rapid economic growth in the 1980s and 1990s and which, it was assumed, were well on their way to even higher levels of economic prosperity and development. By contrast, in Africa during the 1990s, dozens of countries undertook structural adjustment programmes (SAPs) under the guidance of the international financial institutions<sup>1</sup> as a result of which many thousands of formal sector workers, mainly civil servants and workers in state-owned enterprises, were retrenched and rendered unemployed. In the case of Zambia, this compounded the continuing recession brought on with falling world prices of copper and the closure of the copper mines that had been the mainstay of the economy for many decades.

Few of the countries most affected by these crises had any kind of social safety net – such as a social welfare or unemployment insurance – for those who were made jobless. Therefore, faced with such a situation in a poor country, what is there for so many suddenly unemployed people to do? This question was posed over and over, and one of the solutions appeared to be to join the burgeoning informal economy. But this was not a simple or natural process, and it raised the question of how this transition could occur for a large number of people? How could former formal sector wage-earners move into self-employment or running their own businesses? How would different family members react, and how would they manage to contribute and work to support their family? If it were possible to understand more about the dynamics of such situations, it might also be possible to better facilitate people’s ability to cope in such times of economic crisis and massive displacements in the labour market.

Situations such as this are complex. In an effort to understand this complexity, the ILO joined hands with UNDP’s Sustainable Livelihoods Programme to see how this methodology could help to unearth and explore the range of critical factors that we sought to identify. Aside from financial capital (in the form of savings or access to credit), it was necessary to seek to find out how people were able to use, mobilize or fall back on other types of “capital” in these situations, such as human, social, natural and physical capitals. What kind of assistance could they expect from governmental and non-governmental organizations and institutions, and what proportion of those people who were affected had access to any such formal or informally available benefits and services?

### ***Choice of countries***

The UNDP agreed to fund such a study under its global Sustainable Livelihoods Programme but, resources being limited,<sup>2</sup> it was necessary to restrict the study to only two countries. It was decided to select one country in Africa and one in Asia, specifically Zambia and Thailand, each of which was experiencing some form of deep economic crisis – albeit

---

<sup>1</sup> The World Bank and International Monetary Fund.

<sup>2</sup> The study was funded under UNDP’s SPPD facility, which is used to support upstream planning and research of the specialized UN agencies, including ILO.

stemming from two very different causes. In fact, the differences between the two countries are so great that any direct comparison could not be included in the objectives of the study. Rather, it was to try to identify as wide a range of coping strategies as possible under different social, cultural, political, economic, physical and natural circumstances. The actual selection of these countries rather than others also took into consideration practicalities such as the presence of an ILO office in the country, the extent of the ongoing collaboration between the UNDP and ILO at the country level, the availability of human resources, and previous experience of the concerned ILO officials in working in these countries.

Coinciding with this research was a renewed interest in and dialogue among ILO constituents on the role of the informal sector, and how the ILO should approach it and address the needs of workers engaged in informal sector forms of employment. The ILO's Governing Body, at its meeting in November 2000, requested the International Labour Office to prepare a report, and to place the informal sector on the agenda of the 90<sup>th</sup> session of the International Labour Conference in 2002 as an item for General Discussion. As a result, a large number of background studies were commissioned for the report. These included policy and thematic reviews, and sectoral, regional and country level studies.<sup>3</sup> In-house, considerable effort was put into examining and refining the conceptual framework and definition of the informal sector. A broader conceptual framework was adopted, the "informal economy", which covers both informal enterprises<sup>4</sup>, and the type of employment relationship expressed in a continuum between formal and informal. The report argued that it is crucial to promote ILO's concept of "decent work"<sup>5</sup> in the informal economy. This can be done by purposeful implementation of fundamental principles and rights at work, application of other relevant international labour standards, provision of social protection, promoting the organization of workers and enterprises along with mechanisms for dialogue, and measures to upgrade the quality of employment through skills development, occupational safety and health, cooperative development and local economic development.<sup>6</sup>

Also concurrent with these activities, the ILO took a lead role in developing a global network to promote youth employment.<sup>7</sup> Therefore, as part of these studies in Thailand and Zambia, valuable information was gathered on the youth cohorts of the data collected. The ILO's work on youth employment has also used a sustainable livelihoods approach, albeit in a more proactive way by adapting it to assess the assets (i.e. different forms of capital) each individual has, identifying where s/he wants to be, and then assessing what needs to be done to reach that point. This may include steps to strengthen various capitals, or simply recognizing that the capital already exists and to take advantage of it.

---

<sup>3</sup> These have been posted on the informal economy website ([www.ilo.org/infeco](http://www.ilo.org/infeco)) along with the background report, report on the proceedings and conclusions of the Committee, and links to other relevant documents.

<sup>4</sup> The 15<sup>th</sup> ICLS definition of the "informal sector" in 1993 was based on enterprise as the unit of measurement. For elaboration of the concept and definition, see *Decent Work and the Informal Economy*, Report VI, International Labour Conference 90<sup>th</sup> Session 2002, ILO, Geneva, pp.121-129.

<sup>5</sup> *Decent Work and the Informal Economy*, op.cit.

<sup>6</sup> For report on Conclusions of ILC 2002, see Provisional Record No.25, Ninetieth Session, Geneva, 2002.

<sup>7</sup> UN Secretary-General Kofi Annan in his report to the Millennium Summit asked the ILO Director-General and the World Bank President to form a Youth Employment Network together with leaders of the public, private and civil society sectors. In the Millennium Declaration, the Heads of State and Government committed themselves to "develop and implement strategies that give young people everywhere a real chance to find decent and productive work."

With the creation of the ILO's InFocus Programme on Boosting Employment through Small Enterprises (IFP/SEED), the Organization reaffirmed its support for enhancing economic opportunities for women. Within IFP/SEED, a team has been established to work on women's entrepreneurship development and gender equality (WEDGE) issues in small enterprise development. With the benefit of extra-budgetary support from the ILO-Ireland Aid Partnership Programme,<sup>8</sup> further work on women's entrepreneurship development was intensified through the Jobs, Gender and Small Enterprises in Africa programme in Ethiopia, Tanzania and Zambia. This programme has also adopted a sustainable livelihoods approach as its frame of reference.<sup>9</sup> To enhance complementarities with other ILO programmes and activities, these studies in Thailand and Zambia also gave specific attention to the impact of the financial crises on women workers and female family members, as well as to gender-based dimensions of the coping strategies adopted in post-crisis situations.

These are just some examples of how the integrated approach adopted by the ILO team has endeavoured to see how research and action, when combined, can enhance the usefulness of research results.

### ***Key findings***

Each of the two studies provides considerable detail regarding methodologies used, findings and conclusions. It may be noted that somewhat different approaches were adopted (the Zambia study being more economic, and the Thai study more sociological), and the selection of communities for study (in Zambia by including rural and peri-urban communities as well as urban, and in the Thai study covering two urban communities) places strong limitations on the opportunities for comparability of the findings of the two studies. Strong historical, demographic, cultural, political and environmental differences between the two countries also preclude direct comparisons. Nonetheless, certain findings are notable either for their similarity or for their distinct differences.

One such finding pertains to the importance of social capital in finding and keeping decent work in the informal sector. In Zambia it was found that persons who were members of various associations, or who were participating in programmes offered by NGOs operating in or near their community, were better off and tended to have more successful economic activities and micro-level enterprises than those who were not. It is suggested that this is because such people have better access to information about markets and business opportunities, technologies, skills development (including entrepreneurship training) and access to credit. In general, those who joined such associations had more diversified income-generating activities and were better shielded against economic crisis. Friends and relatives are the main sources of information for those who are not active in associations, both in Zambia and Thailand.

In Thailand, there seem to be fewer attempts on the part of local people to organize themselves into associations, or fewer NGO programmes on offer. Those that are there do not seem to have had much success – an example is seen in implementing an informal savings scheme that broke down due to a lack of trust in the leadership. NGO programmes, however, were generally more effective in supporting people at times of crisis than those of the government, and this was particularly evident in Zambia. It seems that governments have

---

<sup>8</sup> Now Development Cooperation Ireland (DCI).

<sup>9</sup> See references in [ilo.org/seed](http://ilo.org/seed) – go to women's entrepreneurship development.

much to learn about handling economic crises, not just in formulating policies, but also in implementing them.

Much attention has been given in recent years to the effectiveness of micro-finance programmes for savings and credit for the poor. These two studies reveal that even where micro-finance programmes exist or have existed in the past, only a very small percentage of those in the informal economy have had access to or have benefited from them. In Zambia, two of the casualties of economic restructuring were the local institutions that formerly supplied 90 per cent of micro-credit and support services to small entrepreneurs. These institutions, which were presumably being run on uneconomic grounds, have not been adequately replaced. The study found that 70 per cent of the business capital of entrepreneurs came from savings or from borrowings from family or friends, 4 per cent came from informal lenders, and none at all came from formal credit sources. In Thailand, too, most people take out loans from friends or relatives, including in their home-town or village (“up country”) where interest rates are lower (20 per cent compared to 30 per cent). But they also have traditional moneylenders who charge much higher interest rates and do not hesitate to use strong-arm tactics to ensure repayment.

Increased borrowing was one of the main strategies used to sustain households after the onset of the economic crisis in Thailand, but more of the loans were for household expenditures (38 per cent) than for investing in their work or their work places (28 per cent). However, most people resorted first of all to selling or pawning assets in times of crisis to sustain their households. Clearly there is a need for expanding the role and outreach of formal micro-finance institutions, along with improving their management and administration.

Another aspect that emerged as being of great importance is gender. Male and female members of the household employed different strategies in order to help meet the crisis. This depended in part on social constructs regarding acceptable roles and activities that tend to be designated according to gender-based stereotypes, and in part because gender discrimination also led to men and women to have different forms and quantities of human capital in terms of education, training and skills. In Zambia, it was found that both women and men increased their participation in the informal economy, particularly in urban areas, due to massive formal sector retrenchment, a fall in real wages, the rising cost of living, and increased mortality due to HIV/AIDS. But women tended to undertake such culturally defined activities as vending foodstuffs, running mini-restaurants and tailoring, while men tended to engage in furniture-making, welding and metal fabrication and trading, which yield higher income. In the rural areas, women remained confined to subsistence farming while men engaged in cash crop farming and marketing.

In Thailand, an interesting finding was that many more women became the main income-earners of their families, as men preferred to remain unemployed rather than do work they considered only suitable for women, such as selling food or engaging in piece-rate activities (e.g. stringing beads). Some jobs were precluded from one sex or other, such as caddying which only women do in Thailand – in contrast to most other countries where it is considered male work. Men were more likely to engage in garbage collection, delivery services or casual wage labour. However, one of the apparent consequences of high male unemployment (26 per cent) was an increase in drinking, gambling, drug use and domestic violence.

Survival strategies in both countries took into consideration a number of factors concerning the welfare of children. In the field of children's education in Thailand, there were a number of options available other than removing children from school altogether to reduce the family expenditure on education. One was to transfer to a cheaper school, even if it was further away. Another was to send the children back to their grandparents to be schooled in the village school. However, many still had to quit school earlier in order to assist their parents in their work or by doing simple jobs in the market place. The Thai study notes a decline in enrolment in both private schools (7.2 per cent decline) and government schools (1.2 per cent decline). There is no comparable information available from the Zambia study. However, it does note that the HIV/AIDS epidemic in Zambia has increased the number of "child-headed" and "granny-headed" households, as well as the number of children living and working on the streets in urban areas. Also, although Zambia is a signatory to international conventions on children's rights and child labour, in 1991 it lowered the legal minimum age for entry into employment from 14 to 7 years. However, the reason for this remains unexplained.

Although we do not have comparable information for Thailand on rural conditions, it is worth noting the special context of Zambia as it is likely to have analogies to many other African countries similarly affected by SAPs in the 1980s and 1990s. The Government's withdrawal from agricultural marketing and the removal of subsidies for farming dealt a double blow to the rural areas, where alternative marketing structures were not in place and incomes were insufficient to manage without the subsidies. Food production dropped precipitously (41 to 26 per cent), while non-food production (mainly cotton) increased substantially (2 to 15 per cent). However, the income from these new crops was insufficient to meet household food requirements. Hence there was an increase in food insecurity and poverty. Displaced agricultural workers took up informal activities such as petty trading. Women had some new opportunities to work as wage labourers in an expanding commercial agricultural sector, however mainly in lowly paid, repetitive tasks.

Three other factors merit noting. First, that in time of natural calamities such as drought or floods, the forest provides a kind of safety net of roots, berries and wildlife. Second, the Government, in cooperation with the World Food Programme, sometimes provides food support during times of crisis through its Food for Work programme. The third is that a special fund had been established to support community facilities such as schools and health centres for rural communities in the vicinity of the game parks (based on a percentage of the entry fees charged). This helps to compensate for possible negative impacts of tourism and for the limitations placed on hunting and grazing privileges.

In the urban areas, people in both of the country studies considered their largest asset to be housing since it was largely rent-free, though mostly not on land owned by them and potentially subject to forced removal. Just as important, the locations were close to markets or other ready sources of informal work. In Thailand, one of the consequences of the sudden loss of jobs in the formal economy was that many more people, relatives and friends who had been laid off, moved into the low-income informal settlements in order to economize, resulting in higher population density. The social networks, however, also provided mutual help and assistance at the times of crisis, as well as acting as sources of information, informal training, informal childcare arrangements, and other forms of social capital so essential to their survival as the mechanisms of the formal labour market unravelled.

The Thai study looked at the concept of “decent work” from the perspective of those in the informal economy. It is interesting that job security came first in their list of attributes of what constitutes decent work. Other factors include working for a large organization or enterprise, and benefits such as health-care, retirement benefits, bonuses, etc. They also saw a uniform, or even a nametag, as a status symbol reflecting their security of employment. Their perceptions are not far from the perspectives documented by the ILO.<sup>10</sup> The challenge in the long run is to ultimately provide more formal work for all those in the labour market.

A number of policies and programmes, both governmental and non-governmental, are reviewed from the perspective of their effectiveness in addressing certain fundamental issues facing workers in the informal economy. As both the Zambia and Thai studies point out, the poor have very few vertical linkages with politicians or other authority figures in the urban (or rural) system, or with those of differing ethnic or demographic status. Therefore, their “bonding capital”, i.e. between households that maintain strong ties based on family, neighbours, friends or business associates with similar demographic characteristics, assumes great importance in terms of their survival strategies. This is particularly so in light of the fact that so few of the official programmes targeting the poor actually have much impact or benefit. In Thailand, women were given skill training in making foodstuffs for which there was no market. In Zambia, youth were trained in savings and loans, but despite this, few were able to diversify their income generation activities. Zambia had a draft Vendors’ Policy, but lacked the resources or political will to implement it, and as a consequence it has been scrapped.

Micro-finance schemes have barely scratched the surface in either country in terms of reaching workers in the informal economy, so the majority remain dependent on informal, traditional moneylenders for loans either for business development or, more likely, to meet immediate survival needs. Taking loans to repay earlier loans deepens the cycle of poverty.

Despite the hardships and problems identified, when taken together, the reports also provide a ray of hope. Millions of people have been forced into the informal economy, but a large number have been able to fall back on forms of capital and assets that perhaps they didn’t know they had, or at least they hadn’t realized how important they were. Governments are recognizing that the informal economy is growing so rapidly that there is an urgent need to better understand it, map it, and develop policies and programmes to effectively address the needs of informal workers and operators. The present studies are intended to contribute to the growing stock of knowledge and understanding, and to help to show the way forward.

---

<sup>10</sup> Refer to *Decent Work (2000)*, *Decent Work Deficits (2001)*, *Decent Work and the Informal Economy (2002)*, and *Working out of Poverty (2003)*.

## **PART I**

# **Sustainable Livelihoods and the Role of the Informal Sector in Coping with Economic Crises in Thailand**

National Institute of Development Administration (NIDA)  
under the leadership of  
Professor Juree Vichit-Vadakan



## Executive Summary

- The National Institute of Development Administration (NIDA) was commissioned by the International Labour Organization (ILO) to examine how the informal sector enabled the poor to find sustainable livelihood options after the recent economic crisis in Thailand. A household survey was carried out in two poor and congested communities, one in Bangkok and another in an adjoining province. Quantitative research was supplemented by qualitative methods: observation, focus group discussion and in-depth interviews.
- The studies examined:
  1. Livelihood problems experienced by poor households;
  2. Survival strategies and coping mechanisms they used;
  3. Types of capital available to them;
  4. Support available to them inside and outside the community.
- Most people could not access regular income in the formal sector and were forced to make a living in the informal sector. They had few options, no capital and little concrete support from either the government or NGOs. Many relied on loans from moneylenders, which usually worsened their situation.
- The strategies that people used to cope with economic difficulties included:
  1. Seeking help from outside the family;
  2. Pawning assets;
  3. Borrowing money from loan sharks;
  4. Increasing working hours;
  5. Decreasing non-essential expenditure such as for entertainment.
- Resources available to them included:
  1. Survival income: enough work could be found to support minimal daily needs of food and shelter for most, but by no means all people.
  2. Free housing: in both communities, residents lived largely rent-free, but faced the constant threat of eviction.
  3. Proximity to work: informal jobs existed in the vicinity of both communities (at a golf-course in one case, at a market in another). With few transport options, the poor must live near available work.
  4. Informal networks: in a crisis (an accident or losing a job) most people could turn to local relatives and other informal networks, who provided tips on where to find jobs or sell goods.
  5. Skills training: formal courses were organized by the Government (e.g. handicrafts, cooking), informal training came from relatives in the home (learning to cook for home consumption and then for vending), or on the job (e.g. recycling garbage).
  6. Human assets: women and children become extra income earners (women were main income earners in 52.37 per cent of the families surveyed and supplementary income-earners in 60.29 per cent).
- Government and non-governmental organizations now recognize that a well-structured informal sector can absorb people who are laid off from formal sector jobs. Some national development services have been adjusted accordingly. However, training programmes aiming to give people more job options still have limited success.
- The community residents surveyed believed that programmes should focus on secure employment (not necessarily in the formal sector), education and training (e.g. scholarships for children), and good health-care.



# 1. Overview of the informal sector in Thailand

## 1.1 Sustainable livelihood approach

### *Description*

The Sustainable Livelihood Approach (SLA) as defined by the United Nations Development Programme (UNDP) aims to help the poor to make use of all of the resources, talents, and technology available to them; and to develop the capacity of individuals, families and the community to improve their livelihoods.

The Sustainable Livelihood Approach starts from how the poor see their own reality and how that relates to what is happening in the rest of society. It then examines how people form new relationships within and outside the locality, and finally how they imagine alternative paths to improve their place in society.

### *Principles*

The Sustainable Livelihood Approach incorporates five core principles (UNDP, 2000):

1. **Assets:** A development plan starts with an analysis of a community's assets rather than its problems. This does not mean focussing on the better-off members of the community, but rather recognizing that everyone has some assets with potential to reduce poverty (e.g. good social networks, access to certain physical resources, or the ability to influence outside people or agencies). The task of policy-makers is then to improve the community's access to these assets and to build on its existing coping skills.
2. **Holistic view:** Livelihoods are complex and multidimensional. Policy-makers need to be aware of the many factors that influence communities and how interventions have to be co-ordinated across all these factors. At the same time, government sectoral ministries have to develop cross-sectoral policies.
3. **Entitlements:** The international community recognizes that human rights include economic, social, cultural and political rights. Policy should identify what prevents people from realizing these entitlements and promote measures that empower achievement and eliminate the obstacles. The focus is to increase the accountability of public institutions to communities.
4. **Macro-micro linkages:** Traditional development tended to focus exclusively on either the macro or the micro level. The Sustainable Livelihood Approach tries to bridge this gap. Higher-level policy development needs to be informed by lessons from the local level. Local people should be given a stake in policy, which then becomes easier to implement. However, more work is needed to improve linkage mechanisms between local communities and the macro-level institutions and policy-makers.
5. **Sustainability:** The sustainability of livelihoods depends on how people use the assets available to them in the long term as well as the short term. Sustainability should be defined in a broad manner to include:
  - a) Resilience: coping with stresses and recovering from shocks;
  - b) Efficiency: using minimal economic inputs to generate maximum outputs;
  - c) Ecological integrity: ensuring natural resources are not irreversibly degraded within a given ecosystem; and

- d) Social equity: promoting a group's livelihood without cutting off options for others, present or future.

This definition provides a range of policy options and trade-offs, such as local livelihood needs against wider environmental sustainability; short-term returns to livelihood systems against avoiding longer term stresses; and developing livelihood systems for some people without compromising opportunities for others.

### ***Design and implementation***

International agencies have developed five steps for the design, implementation and evaluation of Sustainable Livelihood programmes at a national level (UNDP, 2000):

1. Participatory assessment of the risks, assets, entitlements, and indigenous knowledge base in a community. This includes coping strategies (short-term responses to specific shocks) and adaptive strategies (long-term change in behavioural patterns to cope with recurring stress);
2. Analysis of macro/micro/sectoral policies and governance practice affecting people's livelihood strategies;
3. Participatory assessment of what modern science and technology can add to indigenous knowledge;
4. Identifying strategies to link mobilization of national financial resources to local microfinance systems; and
5. Integration and interaction of the above four steps.

### **1.2 Macroeconomic context**

During the 1980s and 1990s, Thailand made solid economic and social progress, but the financial crisis in 1997 brought economic melt-down and increased social problems.

#### ***Unemployment***

The Department of Labour Protection survey (1998) found that after the financial crisis in 1997:

- 300,000-400,000 employees in the financial and construction industries lost their jobs;
- 290,000 workers were laid off in other industries;
- 700,000 workers were laid off by small businesses; and
- 500,000 additional people were laid off in 1998.

Social Security Office records in 1997 showed that 2,107 factories closed and 164,845 workers were laid off. Overall about one million people were unemployed as a result. In Thailand there is no unemployment insurance system. The formally employed are supposed to get severance pay, but the system is unreliable.

#### ***Poverty***

In 1998, the National Economic and Social Development Board (NESDB) found that after 1996, poverty increased from 11.5 to 12.7 per cent, meaning that an additional one million Thai people fell below the poverty line. Bangkok and its vicinity experienced only a

slight increase from 0.6 per cent in 1996 to 0.75 per cent in 1998. In the northern region, poverty incidence actually fell, from 11.1 per cent in 1996 to 9.3 per cent in 1998.

The largest increase in poverty, however, occurred in the northeast and southern regions, from 19.3 per cent to 22.7 per cent and 11.4 per cent to 15.6 per cent, respectively (World Bank, 1999). Between 1996 and 1998, the poverty rate increased at a higher rate in rural areas (from 14.9 per cent to 16.9 per cent), while in urban areas the increase was not as great (from 3.8 per cent to 4.4 per cent). The main sectors affected were: agriculture sector (17.89 per cent to 21.06 per cent) and construction sector (11.05 per cent to 14.45 per cent).

### ***Education***

A survey of urban unemployed families carried out in 1998 by the Thailand Development Research Institute Foundation (TDRI) found that 32 per cent of children were affected by a decrease in public spending on education, particularly those attending high school. Some children moved from private to public schools, while many others left school altogether. Those parents who were able to keep their children in school used the student loans scheme, asked relatives to pay school fees, or approached universities for scholarships and grants.

After the financial crisis in 1997, the school dropout rate increased further for those in grade 6 to lower-secondary and those in lower secondary to higher-secondary. Enrolment declined by 7.2 per cent in private schools and by 1.8 per cent in government schools (Jomo, 1998).

### ***Health***

For most people there were increased workloads, worse working conditions and less money to spend on health. The cost of imported medicinal drugs increased after the floating of the Thai baht, and their consumption declined. People changed from private to public hospitals, and spending on self-medication rose slightly (Sauwalak, 1997). Health-care spending by the poor was less affected because they were protected by the public health insurance safety net.

## **1.3 Urban poor communities and the informal sector**

### ***Effects on migrant workers***

The economic boom had given the poor the benefit of temporary jobs, but without long-term security. Many farmers had migrated into Bangkok for temporary work such as on construction sites, and they simply lived where they worked. They earned enough to feed themselves and to send money home to their families back in their villages, but did not seem to invest in working skills, education, or better social conditions. The majority of people lacked opportunities to secure more promising jobs, and they remained outside services such as education, health-care, and residential entitlement.

When the crisis came, it hit migrant workers the hardest. However, both the migratory workers earning a regular wage in the formal sector and the informal sector workers such as street traders were affected badly. Construction workers who had been living on the construction sites had to find somewhere else to live. Many moved into the slum areas scattered all over Bangkok, increasing the congestion of these communities.

**Table 1: Number of poor communities in Thailand**

Regions	1996		1997		1998		1999		2000	
	Community	Household								
<b>Bangkok</b>	1,246	259,929	843	207,948	843	207,948	843	207,948	1,226	249,822
<b>Bangkok vicinity</b>	452	77,425	452	77,425	452	77,425	452	77,425	389	154,741
<b>Central</b>	117	23,630	117	23,630	117	23,630	144	24,805	741	171,678
<b>North eastern</b>	79	15,459	139	33,882	139	33,882	139	33,882	1,323	380,788
<b>Northern</b>	101	12,177	101	12,177	101	30,904	146	39,554	1,043	298,213
<b>Southern</b>	100	22,306	100	22,306	137	29,760	137	29,760	367	107,803
<b>Whole country</b>	2,045	446,926	1,752	377,368	1,789	403,549	1,861	413,374	5,089	1,363,045

Note: The researchers have not explained the dramatic increases between 1999 and 2000.

### *Informal sector work*

The loss of jobs forced people into the informal sector to become housemaids, vendors, motorcycle or taxi drivers, to work from home (e.g. making belts or string beads, etc.), or to try to run their own micro or small enterprises. These jobs involved not only the heads of households, but also their family and friends.

The Labour Department studied the pattern of increased home-workers in 17 provinces. Most were married women aged 21 to 40, poor, and with only elementary education (grade 4 level). Some were responsible for small children. Retailers or wholesalers would hire them either directly or through agents to do low-skilled work such as wickerwork, making clothes or weaving. The home-workers had more freedom and saved on transport, but because there was no employment contract, income was low and the work inconsistent.

Barbara Igel (1994) studied five congested areas in Bangkok between 1985 and 1988 and found that the opportunity for employment was dependent upon location. Those living near the trading areas were able to sell food and merchandise, provide portage services, and collect used materials for reselling. Those living near factories were able to sell food and beverages. These economic activities were not registered and were highly vulnerable to risks of all sorts, which is why most of the people surveyed indicated that they wanted formal employment.

Families also play an important role as the earning centres of the community. Family members work both in formal and informal employment to earn enough money to cover their expenses. The research indicates that some 75 per cent of community members built their own houses with the help of family and friends, while the rest hired someone else to do it.

While the informal sector could absorb some of the people pushed out of the formal sector, their way of life was very sub-standard. In congested communities, the crime rate and drug abuse increased. More children were forced to work on the street selling flowers, newspapers, etc. These activities gave little bargaining power and brought few benefits.

## **2. Data collection methodologies**

### **2.1 Aims**

The National Institute of Development Administration (NIDA) set out to investigate:

- 1) The living conditions of the poor and the relevance of the sustainable livelihood approach;
- 2) The perceptions of the local communities as to what constitutes “decent work” and “self-employment”;
- 3) How the local communities adapted to the financial crisis;
- 4) What support the local communities received from external sources; and
- 5) How the local communities found out about government funding and training or revenue-generating opportunities.

### **2.2 Data collection**

From a list of urban communities provided by the National Housing Authority and Urban Community Development Office, two poor urban communities were selected according to the following criteria:

- degree of poverty;
- problems faced such as threat of eviction from the lands where the communities were situated;
- involvement and participation in the informal sector;
- presence of social capital/ social assets e.g. trust and local-based organizations and networks;
- size of the community with more households than required by our sampling size; and
- ability to absorb and withstand shocks, crisis and various difficulties, particularly the hardship imposed by the economic crisis.

The Timruengvej community in the Bangkok Metropolitan Administration area and the Borbua-Pratunam community in Chachengsao Province met the criteria.

Some statistical data on the residents’ income, education, etc. was already available, but it was necessary to collect first-hand data. In August 2000, a team of researchers was sent to each community to observe its physical features and residents, and to get a feel for the community. After initial contact with key figures in the communities, the researchers began sampling procedures using a stratified sampling technique, which combines cluster sampling with random sampling. The first sample came from every alley in the community; then from this pool the final interviewees were selected randomly.

From the Timruengvej community, 179 households out of a total of 320 households participated in the survey. From the Borbua-Pratunam community, 200 households out of a total of 700 households were selected (two were subsequently excluded from the sample leaving a total of 198). The number of people in each household was not included in the survey.

After the sampling was completed, a quantitative survey was planned, the questionnaire was tested in October 2000, and the survey itself conducted in early November 2000. To validate and supplement the statistical data obtained from the questionnaires, in-depth interviews were carried out in December 2000. Researchers went to selected households to do unscheduled, informal and in-depth interviews. These allowed the researchers to gain a more holistic view of what was going on, and to better understand the people’s living conditions.

### 3. Analysis of household and community data

#### 3.1 Description of communities

This section describes the physical setting, history, and inhabitants of the two communities, as well as their livelihoods, assets, and strategies used and adopted to overcome obstacles during economic turmoil.

##### *Timruengvej community*

The Timruengvej community is located at the end of the concrete road on Soi Ramintra 5, near the Central Department Store on the Phaholyotin-Ramintra Road, Bangkok. It is surrounded by the similarly congested housing estates of Amanin and Tiansuan. There is a pond nearby, and a number of entrances connect the community to the surrounding estates. It consists of more than 320 households on 15 to 18 rai of land, totalling approximately 1,200 people, including 100 senior citizens (over 60 years of age) and about 300 children under 16 years of age.

It is not an old community. Only 3 per cent of the residents lived in the community more than 31 years. The majority came within the last four years, introduced by friends and relatives who already lived there. The average length of stay was 7.6 years.

**Table 2: Length of residence (Timruengvej)**

Years of Residence	Households (%)
1-2	23
3-4	22
5-6	15
7-8	10
9-10	11
11-20	14
21-30	2
>31	3
Total	100
Mean	7.6
SD	8.4

Because most people had not known each other for very long, the community appeared to lack a sense of unity. The majority of the people were of working age, with those aged 16 to 60 years making up 67.44 per cent of the total population.

There were approximately equal numbers of males and females. In the 179 households surveyed, 52.96 per cent were female and 47.04 per cent male. The community was not registered, so accurate census data was unavailable.

There did not appear to be many elderly people, which is unusual for communities in Thailand. One informant thought this was because most dwellers were not native to Bangkok. They were migrant workers who had come from other provinces. Since the cost of living was cheaper outside Bangkok, it made more sense for the elderly people to stay there and take care of grandchildren. One informant stated that she sent money home and went to visit as often as she could.

**Table 3: Age of residents (Timruengvej)**

Age range	Number (persons)	Percentage
<5	72	10.39
6-15	111	16.03
16-25	132	19.05
26-40	196	28.28
41-60	139	20.05
>60	43	6.20
Total	693	100.00

### ***Borbua-Pratunam community***

The Borbua-Pratunam community is not in Bangkok, but in the central district of the nearby province of Chachoengsao. It consists of two housing clusters, the Borbua and the Pratunam, and is surrounded by government offices, hospitals, banks, and schools. The community is located along railway tracks, next to a market and near Prasathom Vraramwora Mahavlhana, a famous Temple in Chachoengsao province. The Ta Kai canal, which connects the Bang Pakong River and the Sansaeb canal, runs alongside it and marks its boundary. There are about 700 households located on land partially belonging to the State Railway of Thailand.

There were basically three groups in the community defined according to where they lived and worked.

*Group One* lived 300 meters from Borbua market. They were merchants who delivered their products to the market directly. Part of the group worked in food processing, e.g. making pineapple jam and slaughtering chickens for meat.

*Group Two* lived 1 km further from the market. They were labourers who engaged in unskilled work on fresh food preparation, e.g. cracking crabmeat and cleaning fish. Their finished products were sent to the market and to some restaurants. Others were day labourers and food vendors.

*Group Three* lived an additional 1 km away from the market. They were relatively poorer, and worked as day labourers, food vendors, and garbage collectors.

Some households had stayed in the community for more than three generations with an average residence of 24.7 years. Most households had lived in the area for at least one or two years.

**Table 4: Length of residence (Borbua-Pratunam)**

Years of residence	Households (%)
1-2	6
3-4	4
5-6	8
7-8	3
9-10	4
11-20	27
21-30	22
>31	29
Total	100.00
Mean	24.7
SD	16.1

Similarly to the Timruengvej community, the majority of the people in Borbua-Pratunam were of working age. Those under age 16 made up 25.35 per cent of the population, and those aged 16 to 60 made up 62.68 per cent. With 11.97 per cent of the people over age 60, Borbua-Pratunam had nearly twice as many elderly people as Timruengvej.

**Table 5: Age of residents (Borbua-Pratunam)**

Age range	Number (persons)	Percentage
<5	65	7.70
6-15	149	17.65
16-25	138	16.35
26-40	198	23.46
41-60	193	22.87
>60	101	11.97
Total	844	100.00

### 3.2 Informal sector employment in the surveyed communities

In the Timruengvej community, 26.26 per cent of heads of household were unemployed. Of those who were employed, the main source of income was unskilled, itinerant labour. Others worked in construction, trading or small business.

**Table 6: Occupations of heads of households (Timruengvej)**

<b>Occupation</b>	<b>Percentage</b>
Itinerant unskilled labour	42.46
Waste Collector	6.15
Semi-skilled labour	5.03
General service	5.03
Trading/vendor	10.61
Employee	4.47
Unemployed	26.26
<b>Total</b>	<b>100.00</b>

Some 22.5 per cent of Borbua-Pratunarn heads of households were unemployed. Of those who were employed, 42.5 per cent of income was from self-owned businesses. Other income came from hired labour in the informal sector such as unskilled labour, waste collecting, and delivery services. Only 1.5 per cent were private or public employees.

**Table 7: Occupation of heads of households (Borbua-Pratunam)**

<b>Occupation</b>	<b>Percentage</b>
Itinerant unskilled labour	18.50
Waste Collector	3.50
Semi-skilled labour	5.50
General service	4.00
Trading/vendor	42.50
Employee	1.50
Piecemeal work	2.00
Unemployed	22.50
<b>Total</b>	<b>100.00</b>

### **3.3 Analysis of household assets/capital in the surveyed communities**

#### **3.3.1 *Economic capital***

While tools and durable goods were considered in many studies to be economic assets, the researchers were not able to determine what was used in the occupation and what in the home. As an example, one informant said that to earn her income she only required pots and pans, and she already had these as she cooked food for her family. So the researchers restricted their definition of “economic asset” to any resources that people used to make a living.

In both communities, money seemed to be a clear indicator of the class to which the inhabitants belonged. In the Timruengvej community, class distinctions were quite evident. Some informants referred to people that they knew as “the rich” and to themselves as “the poor”. Others were “the even poorer”.

When asked how they determined who was considered rich, it came down to material assets and possessions. Those who owned motorcycles were rich. Those who worked in department stores in any capacity (e.g. sales clerk, janitor, etc.) were said to be “upper class”. Overall people’s occupation determined their material assets. Entrepreneurs or those formally employed with job benefits had higher status. People like itinerant construction workers who could hardly afford material possessions were seen as commoners.

The average household income per month in the Timruengvej community was 4,607.71 baht. The survey data suggested that a high percentage of households had an income below the average. When compared with the average monthly expenditure of 5,747.80 baht, it became obvious that most people were not making ends meet each month. [It was possible that some respondents misrepresented their income in the hope of getting a handout. But the interviews seemed to confirm that the information was accurate.] In some households, only one member brought in income and their housing and living conditions indicated that they were struggling.

Based on the UN indicator of extreme poverty for households with per capita income of less than \$1 a day (approx. 1,500 baht per month), it can be estimated that approximately 9 per cent of income earners fell into that category. At a poverty level of \$2 a day (approx. 3,000 baht per month) it can be seen that 20 per cent of income-earners fall into this category.

**Table 8: Household income from main occupation (Timruengvej)**

<b>Income (baht/month)</b>	<b>Households (%)</b>
<1,000	4.01
1,001-2,000	10.60
2,001-3,000	20.06
3,001-4,000	17.77
4,001-5,000	16.91
5,001-6,000	16.62
6,001-7,000	2.58
7,001-8,000	5.16
8,001-9,000	2.29
9,001-10,000	1.43
>10,000	2.58
<b>Total</b>	<b>100.00</b>
<b>Mean (baht/month)</b>	<b>4,607.71</b>
<b>SD</b>	<b>3,236.20</b>

When the economy had been booming, supplementary jobs were easy to find and people had used the extra money for entertainment and recreation. However, during the

economic crisis supplementary incomes became a necessity for survival. Nearly everyone, male or female, young or old, said that they were on the lookout for extra work.

**Table 9: Household's supplementary income (Timruengvej)**

Income (baht/month)	Households (%)
<500	21.43
500-1,500	35.71
1,501-3,000	28.57
> 3,000	14.29
Total	100.00
Mean (baht/month)	1,725.00
SD	1,379.90

In the *Timruengvej* community, some women supplemented their income by selling food. Many said they wanted to run a small business but felt that they were not business-oriented and feared that their business would fail. Many also lacked the required capital for a food stall. Some said they had no skills and felt that the only thing they had to offer was their labour. The ideal supplementary job, according to both male and female informants, was unskilled itinerant labour.

From regular and supplementary income combined, each household had an average of 6,332.71 baht to live on. With average monthly expenditures of 5,747.80 baht, there was little for savings or emergency. Many said they were willing to work longer hours but the work was hard to find.

The *Borbua-Pratunam* community was slightly better off, having an average income of 7,008.70 baht. In the upper income bracket, 12.24 per cent of households earned more than 10,000 baht per month. In the lower income bracket, 4.69 per cent of households earned less than 1,000 baht. Based on the UN indicator of extreme poverty for households with per capita income of less than \$1 a day (approx. 1,500 baht per month) it can be estimated that approximately 9 per cent of income earners fell into that category. At a poverty level of \$2 a day (approx. 3,000 baht per month) it can be seen that 19 per cent of income-earners fall into this category.

Up to 85.85 per cent of the Borbua-Pratunarn community did not have supplementary income. Of those that did, 55.32 per cent had to work ten or more hours per week to get it. The average extra income was 1,786.92 baht a month. Many were interested in additional jobs but did not know how to find them. Of the people doing additional jobs, 47.45 per cent were itinerant labourers, 28.81 per cent small vendors, 15.25 per cent waste collectors and 8.47 per cent semi-skilled labourers.

**Table 10: Household income from main occupation (Borbua-Pratunam)**

<b>Income (baht/month)</b>	<b>Household members (%)</b>
< 1,000	4.69
1,001-2,000	8.59
2,001-3,000	19.27
3,001-4,000	8.33
4,001-5,000	6.67
5,001-6,000	13.80
6,001-7,000	1.82
7,001-8,000	3.65
8,001-9,000	6.51
9,001-10,000	4.43
> 10,000	12.24
Mean (baht/month)	7,008.70
SD	9,706.69

**Table 11: Household's supplementary income (Borbua-Pratunam)**

<b>Income (baht/month)</b>	<b>Household members (%)</b>
< 500	32.69
500-1,500	28.85
1,501-3,000	25.00
> 3,000	13.46
Mean (baht/ month)	1,786.92
SD	2,351.71

### **3.3.2 Financial capital**

The economic crisis had drastically reduced opportunities for extra income. Those who had been laid off and wanted to start a small business needed capital. Some turned to loan sharks for cash. While this provided emergency relief, the high interest charges became a crushing burden. Some households were paying interest charges as high as 240 baht per month. However, the researchers noted that community members sometimes viewed these loans as assets.

**Table 12: Average household expenditure (Timruengvej)**

Expenditure by items	Average Amount (baht/month)
Food	2,941.80
Rental fee <sup>11</sup>	71.35
Water supply	321.50
Electricity	441.29
Transportation to work	364.21
Children's education	514.78
Telephone	89.44
Health-care	97.47
Clothes	47.75
Interest	240.66
Making merit (giving to charity)	93.76
Recreation/relaxation	454.58
Mean	5,747.80
SD	3,957.22

Many people in *Borbua-Pratunam* were also in debt. However, they had access to loans raised by relatives in their home town, because the interest rate was cheaper there (20 per cent per year in their home town as compared to 20 per cent – or even 30 per cent – per month from commercial lenders to the community. Some paid daily interest.)

The commercial lenders set their interest rates with no repayment time limit. If the borrower was unable to pay off the principal, they had to keep paying the interest until the principal was completely paid off, and they could borrow no more money from the lender.

Some had taken out a 10,000 baht loan, and already paid 100,000 baht in interest. But as they had not yet paid off the principal, they continued to pay the interest. If they tried to stop further payments or failed to make them on schedule, the lenders could resort to threats and violence. Despite these dangers people still took out loans (sometimes for dubious purposes, e.g. for gambling).

Two safer kinds of loans were:

1) The “share cheque”, where the borrowers opened a bank account (few had enough money to do this on their own). They then wrote a cheque for the amount of money they needed to borrow. Writing bad cheques is a criminal offence, so if borrowers ran away from the debt, they would be arrested and prosecuted.

---

<sup>11</sup> The researchers included this as a recurring expense although it is a one-time payment to the people who had been using the land previously.

2) A loan from a community savings group, which used seed money from the Social Investment Fund (SIF).<sup>12</sup> For this borrowers had to submit a proposal for an income-generating project. However, some said this was of no use to people who needed money to pay for living expenses.

**Table 13: Average household expenditure (Borbua-Pratunam)**

<b>Expenditure by items</b>	<b>Amount of expenditure (baht/month)</b>
Food	4,130.56
Rental fee	242.26
Water supply	310.21
Electricity	687.85
Transportation to work	284.80
Children's education	657.59
Telephone	262.81
Health-care	270.68
Clothes	170.91
Interest	539.62
Making merit (giving to charity)	289.40
Recreation/relaxation	258.29
Mean	8,104.83
SD	7,509.14

### ***3.3.3 Social capital***

Social capital is as important for sustainable livelihoods as financial capital. Through contacts inside and outside the community, social capital allows people to obtain information on where to seek assistance or find employment.

#### ***Both communities***

##### ***(i) Family***

For both communities, the family unit remained strong and viable. Parents were responsible for their children, even if some children fell short of parents' expectations and vice versa. All families saw children's education as a high priority, even though transport costs and the 20 baht per day needed for school lunches were a heavy burden on people earning less than 200 baht per day.

The family was the major institution that people identified with, contributed to and relied on in good times and bad. Relatives followed each other to the various residential sites.

<sup>12</sup> A Social Investment Fund of 4,560,000,000 Thai baht was established with assistance from the World Bank. The Fund provided grants to community organizations for building community social capital. The grants were in five categories: income-generating activities, natural resources and environment conservation, local cultural conservation, community network building and community welfare.

They provided loans and assistance in times of crisis and acted as guarantors for procuring loans from moneylenders. For example, the husband of a leader in one community went to work in Saudi Arabia but could not cope with the life there. His wife approached her relatives to lend her the money to bring him home. Relatives also look out for new work opportunities for their wider family network or bring them into the same occupation.

Over time, one family might evolve into a set of nuclear families clustered together. Small nuclear units appeared to be the norm, but there was a pattern of families clustering together in the style of an extended family. This provided for mutual assistance, and sharing of costs and work. Self-employed women who were also relatives might work together cooking, preserving fruit, and making sweets and condiments for sale in the nearby school, market or in the larger community outside their immediate neighbourhood.

The primary concern of most residents in the two communities was how they could improve their family's situation, and protect family members from threats such as eviction from their homes, loss of decent or adequate income, or drug addiction and health problems.

### *(ii) Leadership*

Leaders have emerged according to the situation, such as when the community had to negotiate with city officials for public services, or form a savings group. While both communities had their formal and informal leaders whose stature did not come easily, leaders had to earn their place.

Leadership was difficult to build where community members were highly individualistic, focused on family survival, thought only in terms of the present and immediate, and were mistrustful of anything outside their family and kin group. Leaders needed patience and needed to demonstrate their ability to organize people within the community, while at the same time showing assertiveness in dealing with people outside the community. It was explained that leaders were respected if they exhibited a spirit of generosity by hosting parties with food and drink or by providing other kinds of help. A leader would therefore need to come from the higher economic stratum within the community.

Being innovative in fighting for the community's cause also established one's leadership role. One woman took the occasion of an audience with the Crown Princess to loudly petition her pending eviction. Another leader used a loud speaker placed outside his home to make all sorts of announcements to the community. Still other leaders impressed the community with the numbers of friends and relatives they had outside the community.

### *(iii) Cultural grouping*

It was a coincidence that the pioneer squatters in both communities had been itinerant folk-drama performers. These cultural skills were integral to the maintenance of social capital. Generally women were the nurturers and propagators of the cultural heritage of this aspect of the community. They also passed on knowledge of food preparation to their daughters. Whereas other occupations faded away with time, cooking and food preparation skills passed on over generations, remained intact and even became commercially viable, allowing families to survive and educate their children.

The following sections detail access to and relevance of social capital in Timruengvej and Borbua-Pratunam.

## ***Timruengvej***

### *Informal groups*

In Thai communities, family and relatives function as the primary social network. For most of the Timreungvej community, their immediate family was up-country. (In Thailand, “up-country” refers to rural areas anywhere within Thailand, regardless of whether the area is located in northern or southern Thailand.)

During the good times, even distant relatives from up-country would be told about employment opportunities in the city, resulting in newcomers arriving in the community. In bad times, although their full extended family was not present, cluster families of distant relatives provided the same sort of support: e.g. acting as guarantors for loans from loan sharks or looking after each others’ children.

After relatives, people enjoy visiting friends and neighbours. They said it was more fun and more economical than going out, and they did not want to feel sorry for themselves at not being able to afford the things they saw if they went out. The women came together to talk, and the men socialized by drinking. When husbands are friends, wives are also usually friends. These people have many things in common: they work at the same jobs, they live next door to one another, and in many cases they are also relatives. Out of these relationships and various social and economic activities sprang a number of both formal and informal groups.

### *Formal groups*

#### *(i) Savings groups and local leadership*

Finding free time from the constant need to earn a living meant that participation in community activities was severely limited. The principal formal groupings were those dedicated to saving. While the activities of these groups built up economic capital, they also served to strengthen social capital. Indeed while there were no officially elected leaders in the community, the unofficial leadership tended to come from the savings groups.

1. The Savings Group for Vocational Development had been founded by Ms. Malee Gaensorn, who moved into the community in 1994. In her former community of Wat Yuan, she had been a member of the community committee. In Timruengvej she became president of the vocational savings group, which had 50 members, most of them homemakers. The group provided loans for vocational development with assistance from the Miyazawa Fund.<sup>13</sup>

2. The Housing Savings Group was founded (and supported by the Urban Community Development Office, UCDO) to help residents in case they were evicted. It had 51 members when it was founded and had collected about 30,000 baht. The committee consisted of 11 elected members and was headed by Mr. Samnao Phothongkham, president of the Bangkok

---

<sup>13</sup> The Miyazawa fund was a package of external loans from the Government of Japan to the Thai Government in order to ease the economic crisis. The Government distributed about 53 billion baht especially through employment projects to boost the economy.

Community Network who had arrived in the community in 1991. Mr. Samnao rented a friend's house as the Network office.

It appeared that the membership in both savings groups remained low because community members did not understand the purpose of the groups or the possible benefits for them. Some members of the Savings Group for Vocational Development believed their committee was not being transparent in its lending process and broke away to join the Housing Savings Group.

These formal groups provided a basis for the Timruengvej community to reach out for external support, and had become members of the Bangkhen Community Network, which consisted of 25 other slum communities and had Mr. Samnao as its president. Its vocational development and housing savings group activities were supported by the UCDO. Being a member of the Community Network gave Timruengvej access to information about other community development activities

#### *(ii) Religious groups*

In some years, the elderly had gathered to present robes to monks in their hometown at the end of Buddhist Lent. One year, the community had collected contributions from members to buy tube skirts for the elderly for the Songkran festival. The nearest temple "Luang Por Soong" was 3 to 4 kilometers from the community. There was basically a good relationship between the community and the temple, but unlike rural communities of Thailand, there was no strong cooperation between them. One informant said she did not go to the temple often. In an economic crisis, people do not have enough to donate to the temple.

### ***Borbua-Pratunam***

#### *Informal groups*

Like the Timreungvej people, those in Borbua-Pratunam used social networks within and outside their community, turning firstly in time of crisis to their kinsfolk. People from the two geographical clusters of Borbua and Pratunam participated in common social activities, e.g. New Year's Day or Children's Day, although most of the organizing is done from the Borbua side.

#### *Formal groups*

##### *(i) Savings groups*

There were two savings groups, one in each cluster. The Borbua Group has 300 members and Mr. Suwat Wongsri was the leader. It had started six years before and had assets of two million baht, each shareholder paying 100 baht per share. Its purpose was saving for housing in case of eviction. The savings group tried to help the disabled, grant scholarships for education, and grant housing loans of 300,000 baht or less.

To get a loan it was necessary to demonstrate real need and to have three guarantors, two of whom had to be members of the savings group. A loan could be for up to 80 to 90 per cent of the value of the applicant's savings. After depositing money for a further six months, a borrower could take out another loan. Members could borrow between 10,000 and 20,000

baht, but had to save 500 baht a month. If someone failed to pay back the money on time, the group leader would announce this over the public loudspeakers, and the borrower was required to announce why they could not make the payment. The only money from outside the community had come from the Social Investment Funds (SIF) which gave 300 baht per month for the elderly.

The Pratunam cluster had formed a savings group six months earlier with 120 members. Before that some Pratunam people had participated in the Borbua savings group but there had been conflict in the group. When the first lump sum had come from SIF, the money had been loaned out but many loans were not repaid. With the second lump sum, the committee decided to be careful and kept most of the money in the bank. This made some people think the committee members had cheated them and were using the money for themselves.

#### *(ii) Religious groups*

People met at the temple to make merit. The relationship with the Pratunam temple was a good one because the chief monk had been very helpful to them and they saw the monks as hard-working. When people donated to the temple, the monks assisted the poor and elderly, even carrying out cremations free of charge.

#### *(iii) Political groups*

The two-cluster communities worked together to negotiate for land rights with the State Railway of Thailand. At one stage they formed a protest group and built a barricade on the railway to block the trains. With the realization that cohesion led to greater bargaining power, they set up other groupings such as a group to lobby the Ministry of Public Health for a health-care assurance card for every family.

### **3.3.4 Physical capital**

#### ***Both communities***

##### *(i) Housing*

The primary physical asset for the residents of both communities was free housing. The Borbua-Pratunam community had suspended rental payment to its landlord, the State Railway of Thailand, after the conflict over eviction five years earlier. Most Timruengvej residents paid nothing for squatting on the private land they inhabited. Some residents had had to pay an initial sum of money to the earlier squatters. Though it was not legal, the newcomers accepted to pay this fee. There had also been some visitors who had claimed that they were the landowner's lawyers with the right to collect rent and some dwellers paid up but stopped when they discovered the truth.

Vacant land for squatting provided migrants from the countryside with a foothold in the city. Even when the threats of eviction were ongoing, residents still saw their home as an asset, especially if they could plant a small garden or raise a few animals. To outsiders, the physical surroundings were undesirable and even appalling: puddles of water, strewn garbage, stench of waste, unpaved walkways, etc., but to the residents, it was their home and

community. Some younger residents moved away as they found better jobs, but many young and old residents preferred to stay put, claiming convenience and thrift.

### *(ii) Location*

The second physical asset was the geographical locations of both communities being near places where they could make a living. Borbua-Pratunam was near a big fresh market and a busy temple. Timreungvej was close to urban centres, golf courses, and middle and upper middle housing estates. Residents of both communities did not have to commute to their work. Being near housing estates also meant that unwanted items from homes could be picked up and sold to recycling places. Motorcycle taxis could also provide transportation to and from the main roads into the housing estates.

Many *Timreungvej* people felt they were in a favourable location. Female informants said they lived there because it was close to their work place. There were popular golf courses and upper middle class housing estates nearby, which were great assets to the community. Motorcycle owners provided taxi services to people living in the estates, and food vendors sold food there from their pushcarts or *saleng* (a tricycle used for transporting goods). Most *saleng* owners worked as scavengers with children searching in the trash cans of the middle class households and selling items to recycling plants.

The *Borbua-Pratunam* community is located in the centre of Chacheongsao province and is surrounded by main roads, government offices, schools, hospitals, and a famous temple. The market was the business centre and source of most of the income for the village. There were many job opportunities: selling food or flowers; driving tricycle taxis, or running delivery services or transportation; processing fish, or slaughtering chickens. In addition, the trains brought customers from Bangkok to the Borbua market to buy fresh produce. When the villagers needed to go outside their community, transport was relatively cheap and convenient.

### **3.3.5 Human capital**

#### ***Both communities***

No development plan can work unless people are equipped with a certain level of education and skills. Although the residents of the two communities valued education, they were generally not educated beyond lower secondary school. The few who went on to higher education tended to do vocational and certificate programmes with the equivalent of a junior college (two-year) programme, but this did not ensure good jobs or high pay, as college degrees were increasingly needed for salaried jobs. The best that people with certificates could do was to work as low-level clerks, office workers, or salespersons.

One's educational level and number of years spent in school strongly influenced their chance of finding a *decent job*.<sup>14</sup> Education was considered both an economic investment and a significant social asset.

---

<sup>14</sup> A decent job as perceived by community members is a permanent job with regular pay. Even if the pay were low, it provided some fringe benefits, which might be deducted from their pay. Hence, a decent job was seen as one which provided security and prestige.

The informants reiterated that “*they would not wish for their children to lead the kind of life that they lead and to suffer the way they did on account of a lack of education*”. Women especially strived to save and to make money for the sake of their children and some men indicated likewise. One man, a scavenger collecting things for sale and recycling, tried to go without lunch and brought his own drinking water.

### ***Timruengvej***

#### *(i) Education levels*

In the Timruengvej community 65.34 per cent of heads of households had finished compulsory education (primary school). People over 35 years old would have had a four-year compulsory education while those younger would have had six years. About 11 per cent of the heads of households had never been to school. This reflects the overall labour situation in Thailand: the highest educational level reached by the majority of labourers is primary school.

**Table 14: Educational level of household heads (Timreungvej)**

<b>Educational level</b>	<b>Number (persons)</b>	<b>Percentage</b>
No schooling	20	11.36
Primary school	115	65.34
Junior high school	25	14.20
High school	10	5.68
Certificate/Vocational school	4	2.27
Undergraduate	2	1.14
Total	176	100.00

Lack of education has inhibited people from moving up the economic scale. Many household heads had finished primary school in their hometown but with a low quality of schooling. Some could hardly write their name. Some had tried to make up for this by acquiring new skills. Construction workers, at first only able to do lifting and carrying equipment, later learned from other workers how to do cement work, which made them eligible for higher pay. Almost half of the surveyed population (42.46 per cent) worked as itinerant skilled labour, which reflected the levels of education shown in the table.

**Table 15: Jobs of heads of households (Timruengvej)**

<b>Occupation</b>	<b>Percentage</b>
Private employee	30.17
Public and state enterprise employee	12.01
Business owner	15.36
Unskilled casual labourer	42.46
Total	100.00

(ii) Skills training

There was some skills training available in Timruengvej. The community leaders had invited officials of the Bangkok Metropolitan Administration (BMA) to provide a cooking course (soybean milk and fried popovers). The head of the savings group and other community members wanted training in further kinds of occupations, such as pedicabs and vendors. The group intended to provide financial support to each vocational training course but did not have enough money to pay for training materials and experts' fees.

Some skills training courses, however, proved not to be worth the expense of taking them because there was no market for the products they were taught to make or the training was not appropriate for the individual. For example, many senior citizens had wanted to be trained in order to earn extra income, but training such as stringing beads was not always suitable as it requires good eyesight. Some workers such as waste collectors, motorcycle taxis and golfing caddies received on-the-job training while others learned how to improve their skills from work colleagues. For example, waste collectors learned how to sort different kinds of metal and papers. Other training was done at home. Daughters learned cooking and handicrafts from their mothers and then put these skills to commercial use.

The following table shows the types and levels of skill of the heads of households.

**Table 16: Types and levels of skill of household heads (Timruengvej)**

Type of skills	Head of household		Level of skill acquired (%)		
	Not acquired (%)	Acquired (%)	Fine	Good	Very good
Construction	67.05	32.95	31.58	47.37	21.05
Driving	69.36	30.64	30.19	41.51	28.30
Agriculture	72.83	27.17	36.17	42.55	21.28
Craftsmanship	82.66	17.34	30.00	43.33	26.27
Electrician/ mechanic	88.44	11.56	35.00	30.00	35.00

Levels of acquired skills appeared low. Most household heads would have liked to be trained but did not get the opportunity. Of those who did, more than half were given training informally by their neighbours. The rest were trained outside the community. Half of the household heads said they did not want to acquire more skills or to be trained. This contrasted with the findings elsewhere in the survey that indicated that only those with good skills get good jobs. Either they did not get information about training opportunities; or they could not afford the money or time. The researchers also suggested some might not be interested in skill training. People with lower-class backgrounds may have had unhelpful experiences of education as remote or even humiliating or frightening.

**Table 17: Reasons for heads of households not attending training (Timruengvej)**

Reasons	Percentage
No time	43.13
No information	21.88
No money	14.38
No interest	11.88
No specific reason	8.75
Total	100.00

To improve their livelihood and employment opportunities, it would be necessary to invest in education and skill building, but it would also be necessary for them to access the right information about career development. The most effective way for this to happen is by working through relevant NGOs. Many people who had attended training courses reported that they had received the information from the NGOs.

### ***Borbua-Pratunam***

#### *(i) Education levels*

Among the heads of household in the Borbua-Pratunam community, 58.59 per cent had completed elementary school and 9.09 per cent had no education.

**Table 18: Educational level of heads of household (Borbua-Pratunam)**

Educational level	Number (persons)	Percentage
No schooling	18	9.09
Primary school	116	58.59
Junior high school	30	15.15
High school	14	7.07
Certificate Vocational school	12	6.06
Undergraduates	8	4.04
Total	198	100.00

**Table 19: Types and levels of skills of household heads (Borbua-Pratunam)**

Type of skills	Head of household		Level of skill acquired (%)		
	Not acquired (%)	Acquired (%)	Fine	Good	Very good
Construction	91.50	8.50	47.06	29.41	23.53
Driving	77.00	23.00	28.26	36.96	34.78
Agriculture	82.50	17.50	31.43	48.75	20.00
Crafts	81.00	19.00	44.74	34.21	21.05
Electrician/ mechanic	93.50	6.50	43.15	43.15	7.69
Performing arts*	92.00	8.00	25.00	62.50	12.50

\* This community had the skill to perform "Likae," the Thai musical folk drama for income.

Though realizing that skills are important, 65.5 per cent of heads of households said they did not want to acquire other skills. The researchers felt that one reason was that they did not have the time to learn other skills since they had to work long hours each day. Another reason was that they were not interested.

**Table 20: Reasons for heads of households not attending training courses (Borbua-Pratunam)**

Reasons	Percentage
No time	41.52
No information	8.77
No money	11.11
Not interested	25.73
No specific reasons	12.87

**3.3.6 Gender issues**

***Both communities***

*(i) The role of women in the communities*

Family continuity and stability depended on the strength of the woman or women in the family. As homemakers, they cared for their children. When a woman who had children needed to go away (or was forced away to jail for unpaid debts, selling drugs, etc.), it was her mother who would be entrusted with the care of the children. Families were female-centred, although when a man was present he would be accorded the status of head of the household. The strong bond between mother and daughter should be noted. Through thick and thin, they stuck together, providing mutual support and comfort. The bond went beyond two generations into three and even four.

The women seemed well-oriented to survival. It was they who determined whatever assets they had and took responsibility for selling or pawning whatever they had for the additional cash necessary to make ends meet. Women in the two communities tended to be flexible, accommodating to change, and open to experimentation. They were quick to try out new ways of making money, such as selling food, flowers or incense sticks to worshippers at the temple, and they tended to observe and adapt to the changing tastes of their customers.

Women were also good at establishing networks of social relationships. Being usually non-threatening to men and other women alike, many women used their social networks to enhance opportunities for their families. One woman who sold food at a good government school was able to network sufficiently to place all three of her children in that school. This would have been difficult even for someone rich and respected.

*(ii) Women’s relationship to male family members*

Many women did not feel that they could count on their spouses to be loyal. Although it was sometimes a painful experience for the women, they were often accepting when they did learn of their husbands’ infidelity. They also appeared to accept men’s indulgence in

drinking as a need to release stress. However, violence – against women and children in particular – would sometimes accompany drinking. Both drinking and violence became prevalent to the extent that a man might be judged a “good man” solely on the grounds that “he did not drink” and was “not violent to his wife and children”.

**Timruengvej**

*(i) Jobs and gender*

In the Timruengvej community, 153 heads of household (or 76.54 per cent) were male and 47 (or 23.46 per cent) female; 45.71 per cent of the households’ main income earners and 60.57 per cent of the extra income earners were women. Women earned supplementary income from selling food, and piece-rate activities such as stringing beads. Some jobs were not suitable for men, as they lacked skills or felt ashamed of doing such jobs. One woman owned a food stall but her husband seldom helped. Selling food, according to him, was “female” work.

Some jobs did seem to preclude men from carrying them out. Young women working as caddies on the nearby golf courses needed to be “good-looking”; or at least well presented. They also have had to put up with golfers trying to take sexual advantage of them. They needed training in how to count scores, how to select golf clubs, and so on. They used to earn between 400 and 1,000 baht a day, but after the economic crisis they earned only 170 baht a day.

Even while working for income, women still had to take care of their families. Women made up 58.88 per cent of those responsible for the health-care and living conditions of household members. They made up 75.84 per cent of those responsible for cleaning and cooking, and 74.58 per cent of those responsible for childcare.

One result of women becoming the main income-earners was that men could then do more community work, although 55.06 per cent of those taking part in community meetings and 53.70 per cent of those participating in other community activities were women. The crime rate was on the rise and people felt that the police were not protecting poor communities, so they had to protect themselves. There were meetings in which both men and women participated to discuss fighting drugs.

**Table 21: Roles and responsibilities of women (Timreungvej)**

<b>Roles and responsibilities</b>	<b>Percentage</b>
Main income earning	45.71
Extra income earning	60.57
Managing household expenditures	64.94
Taking care of the family	58.88
Raising children	74.58
House cleaning	75.84
Community meetings	55.06
Community works	53.70
Crime/drugs fighting activities	50.00

*(ii) Gender roles and decision-making*

As women became the major financial supporters of their families, they increasingly made more decisions. Even in families where the head was male, the wife was still a major decision-maker. In most cases women and men shared decision-making, but it could also be something that women were forced to do. A few informants indicated that they wished they did not have to make decisions on certain things, but did so because their husbands were never around or did not take responsibility in family affairs.

About 5 per cent of men surveyed were frank enough to indicate that they had mistresses. They lived with the mistress when they were younger and still able to work, but came back to their first wives when older. In the meantime the first wife was left to make all the household decisions.

**Table 22: Decisions made by women (Timreungvej)**

Type of decision	Percentage
Children's education	61.31
Borrowing/lending	55.96
Pawning	56.64
Mortgaging for cash	55.58
Buying house/land	56.05
Buying household assets	59.80

***Borbua-Pratunam***

*(i) Women's roles*

Women in Borbua-Pratunam were seen as very outgoing. Of the households studied, 78 (or 39 per cent) were headed by women. The researchers on their first visit got a general sense that the women were tenacious, not afraid to speak for themselves, and very resourceful. As in Timreungvej, the Borbua-Pratunam women had to earn both main and extra income, do housework, and take care of children. They were also active in community affairs.

The Borbua-Pratunam women participated in a savings group and each deposited 100 to 200 baht per month to buy a new home in case of eviction. Borrowing was the woman's responsibility because they had better information about where to source loans. Some borrowed from Indian moneylenders, others from the savings group because of its low interest rate. They used this money to repay debts, invest in their businesses, or buy motorcycles and pick-up trucks.

**Table 23: Roles and responsibilities of women (Borbua-Pratunam)**

<b>Roles and responsibilities</b>	<b>Percentage</b>
Main income earning	52.37
Extra income earning	60.29
Managing household expenditure	69.23
Taking care of the family	68.32
Raising children	71.54
House cleaning	76.89
Community meetings	54.19
Community works	52.27
Crime/drugs fighting activities	46.15

*(ii) Decision-making*

The Borbua-Pratunam women showed no hesitation in decision-making, though some said they would rather their husbands did so. They talked about their children's educational achievements, their role in pulling their families out of crises, and their initiatives in drug prevention activities. Some felt they influenced their family cluster. In an election, women in the same cluster tended to vote for the same candidate.

**Table 24: Decisions made by women (Borbua-Pratunam)**

<b>Type of decision</b>	<b>Percentage</b>
Children's education	64.97
Borrowing/lending	61.49
Pawning	64.03
Mortgaging for cash	67.47
Buying house/land	60.33
Buying household assets	62.63

**3.3.7 Young people's issues*****Both communities****(i) Short childhood*

Young people's futures are usually determined by the prosperity and conditions of the community they grow up in. The recent economic crisis touched the lives of young people as much as adults in both Timruengvej and Borbua-Pratunam communities.

**Table 25: Young people in age groups (both communities)**

Age group	Timruengvej (persons)	Percentage	Borbua- Pratunam (persons)	Percentage
13-14	24	15.79	33	19.30
15-16	19	12.50	33	19.30
17-18	31	20.39	31	18.13
19-20	25	16.45	31	18.13
21-22	29	19.08	22	12.87
23-24	24	15.79	21	15.79
Total	152	100.00	171	100.00

Poverty propelled children and youth<sup>15</sup> into adulthood quickly. They were denied the carefree days of leisure, fun and play that many young people could enjoy. With parents working longer hours, young people took over many household responsibilities, especially the girls had to help with household chores and care of siblings while their mothers worked. Many were forced to leave school and enter the job market. It was not uncommon to see young girls carrying their infant siblings or helping their mothers sell food and do other chores. Some boys accompanied their fathers on a *saleng* to collect trash. Some young people remained in school, but others had to commute longer distances to schools where tuition was less expensive. The least fortunate left school completely.

Male and female young people were affected differently. Young women, for instance, could work as caddies, while jobs requiring physical labour favored young men. Some young men saw the military as an escape from poverty, while others became monks. Young men considered making handicrafts as tedious work to be done by girls and women, while young women thought of trash collection as embarrassing.

Most young people in all age-brackets were labourers, though the percentage of each kind of job differed for men and women. Lacking experience and with little education, no youths under 20 were hired as public employees. While more men were labourers, more women were involved in commission sales work. More women also worked as private and public employees. One girl thought it was easy for women to get jobs as maids in upper class families.

---

<sup>15</sup> In both communities “children” referred to those under the age of 16; “teenagers” were between 16 and 20; and “youth” referred to those between 16 and 24. Hence, the categories of “teenagers” and “youth” overlap. However, age was not the only basis; those over 16 who married were considered to be adults as they were responsible for a family.

**Table 26: Youth occupations according to gender and age**

Occupations	Male				Female				Total
	13-14	15-19	20-24	Total	13-14	15-19	20-24	Total	
Labourers	100.0	66.76	51.52	58.18	66.67	64.70	44.12	51.85	55.05
Waste collectors	-	4.76	6.06	5.45	33.33	5.88	-	3.70	4.59
Commission sales	-	-	-	-	-	-	5.88	3.70	1.83
Semi-skilled labour	-	9.52	6.06	7.27	-	17.65	11.76	12.96	10.09
Vendors	-	14.29	18.18	16.36	-	5.88	17.65	12.96	14.68
Itinerant labour	-	-	9.09	5.45	-	-	-	-	2.75
Private employees	-	4.76	9.09	5.27	-	5.88	17.65	12.96	10.09
Public employees	-	-	-	-	-	-	2.94	1.85	0.92
Total	100.0	100.0	100.0	100.0	100.0	100.0	100.0	100.0	100.0

*(ii) Generational problems*

Parents treated their sons and daughters differently. One respondent who had no daughter indicated that she felt relieved since she did not have to worry about teenage pregnancy, while one who had no son said that she was lucky because sons always created problems and were not as obedient as daughters.

As the economic crisis was felt in the communities, drug-related problems and addictions seemed to increase. Although this was not a subject discussed with enthusiasm, there was a tacit admission of this as a problem among the youth. Parents expressed great fear of the drug problem. Some members may have been involved as drug pushers or dealers because some had gone to jail. One informant who was also a leader in the community lamented the effects of drug addiction on his son who had needed a long period of rehabilitation, and whose chances in life were severely limited. He put the blame on peers and the social environment of the community, which draws youths into addiction.

Generational conflicts or tensions could be felt in some isolated incidents, as when a young man who was related to a community leader attempted to discredit the older persons' version of the community problems. The leaders had spoken of cooperation and solidarity against the landlord, but the young man told the researchers that inhabitants were selfish, self-serving, highly individualistic and not really concerned about the common good. There seemed to be frustration among the young people, and their motivation to better themselves has been debilitated by long years of association with debts, failure, and non-achievement in their families.

***Timruengvej****Access to education*

The Timruengvej sample consisted of 152 people under 24 years of age; 53 (34.87 per cent) were male and 99 (65.13 per cent) female. The majority of children were of school age

and went to Thai-Niyom School, a nearby public school, for their compulsory (primary level) education. Whether youth in Timruengvej pursued their education depended on their motivation and their parents' financial capability. Although the parents would have liked their children to attain as high a level of education as possible, many could not afford schooling at advanced levels. Some teenagers solved this problem by going to school at night and working during the day.

Not all children who left school were forced to leave because of the financial crisis. Some could afford education but did not want it. Some young respondents voiced the opinion that education could not help them much. The benefits of education were too far in the future, so they would rather earn money to help their families than waste time in school. In addition, they viewed some people in the community with education as "not amounting to much".

What was necessary for a decent job was having the right connections. There were school scholarships, but they were perceived as needing too much effort. The application process was seen as too complicated and the money as not being enough, since parents still had to pay something. However, the overriding factor was that children's labour was needed to help fix the financial problems of the present.

The children or teenagers who did not continue their education often worked in insecure jobs such as security guards, taxi-motorcyclists, pedicab drivers, waste collectors, itinerant vendors, and ticket collectors at the temple fair or amusement park. Male teenagers who were drafted to join the military perceived military work as a decent job since it brought in a regular income and other benefits. Their income and allowances could be sent back home to their families.

Children went to school on weekdays and spent time with their families on weekends. Before the economic crisis, the children played in the empty fields in front of the community, but as their families became poorer, they played less and worked more. Later the children in the community came together only on special occasions such as Children's Day and New Year's Day.

To study at the secondary level meant going to a school outside the community and paying 10 to 20 baht a day for transport. It also meant exposure to the world outside the community. Some said they felt envious of their friends from richer families, but still would rather leave school and get a job to help their family. One common practice during the crisis was for the poor to send young children to their family up-country to be looked after by grandparents. The cost of living was cheaper than in Bangkok and school was more easily accessed. Without the children around, parents could work longer hours and knew that their children were in good hands.

### ***Borbua-Pratunam***

#### *Access to education*

Like the young people of the Timruengvej community, those in Borbua-Pratunam had to do housework and get part time jobs to support their families. However, the Borbua-Pratunam people, being more economically secure than those in Timruengvej, could afford better education for their children. A few parents said they did not want their children to help

with household chores but rather to concentrate on their studies as, in the long run, it would help them escape poverty.

In Borbua-Pratunam 75.68 per cent of children aged 4 to 6 attended school, 98.8 per cent of 7 to 12 year-olds, 81.44 per cent of 13 to 18 year-olds, and 33.78 per cent of 19 to 24 year-olds. However, only 0.78 per cent of young people over 25 years old were enrolled in a course of study. When they finished school between the ages of 13 and 15, they found jobs as factory workers. Some were affected by the economic crisis and had to leave school because their family could not afford the school fee. They usually become itinerant labourers as vegetable carriers in the market earning 300 to 400 baht per day.

Some children who did not leave school worked part time at jobs that pay according to the amount of work done. Being near the market, many children were hired to clean baskets, cut and sort vegetables, etc. Some worked during the daytime and went to school at night, while others worked the night shift and went to school during the day. One girl said she often went to school exhausted because of lack of sleep. Schoolwork, housework, and the part-time job all wore her out. However, she said she would never quit school because education, to her, was the only way out of poverty.

Some children made use of their cultural assets. As mentioned earlier, many Borbua-Pratunam people have a long tradition of making a living out of Likae traditional musical drama performances. The children grew up seeing their parents earning an income by performing, and it did not look so much like work. Some of the young male performers had female patrons who rewarded them with money. They hoped to continue this patronage by joining a dance troupe, so often these young people would quit school and spend time improving their performance.

### **3.4 Household coping strategies**

#### ***Both communities***

##### *(i) Adjustment strategies*

After the economic crisis, many people who were laid off used their savings or borrowed funds from the Indian lenders to buy a pedicab. Those who became waste collectors had previously earned between 400 and 1,000 baht a day, but after the crisis earned only 200 baht per day. On really bad days, they would make as little as 5 baht, not enough to pay for gas. They turned to waste collection because it did not require skills. They found they could collect a lot of waste on weekends when people stayed home.

Extra jobs were not easy and took time to find. *“I once asked the guys from the BNIA (a local training institute) to teach us how to make soymilk and fried popovers. They charged us 500 baht for the expert’s fee,”* said the head of the savings group. Although some interested community members attended the courses, no one made a profit from it. They claim that they had no time, no money, and no idea where to sell the product.

Most income was spent on food, education and entertainment, in that order. Although most families had debts and no savings, there was an incentive for them to save for housing because of the threat of eviction. Beyond that most people lived on borrowed money, some of

it going into payments for appliances such as television sets, electric rice cookers, electric fans, and even washing machines.

When husbands were laid off, the wives got food for their families by selling homemade curry paste at the flea markets. The women's perception was that men would turn to drink after they had been laid off, and some of the men admitted this was true. They would buy liquor on credit from shops run by acquaintances in the community, two of which subsequently closed because they were not being paid. Alcohol often led to domestic violence. Some also turned to drugs, and thefts appeared to be increasing.

#### *(ii) Maintaining lifestyle*

Since poverty was so entrenched in their lives, the poor had learned to deal with it as best they could. To elevate their quality of life and to alleviate the feeling of lack of resources and finer things in life, the poor seemed to decide to live better, even if that was through a chain of endless debt. Borrowing more helped to sustain one's previous debts. Paying more and more interest in fact helped raise one's credit status in the eyes of the lenders. The creditors probably did not expect the principal to be paid back, but collecting interest alone was a lucrative business because it amounts to many times more than the value of the borrowed sum.

People also borrowed from each other, simultaneously assuming the roles of lender and borrower. This perpetual indebtedness was an endemic problem, but also acted as a sort of bond. One had to be respectful to other borrowers and lenders, since one was usually engaged in both activities.

### ***Timruengvej***

#### *(i) Impact of crisis*

The economic crisis affected 81.56 per cent of households with a decrease in household income and increase in expenditure, and a rise in unemployment within the family and increased drug problems.

Of those affected, 78.08 per cent did not receive any assistance outside the family, 13.01 per cent were assisted by relatives inside and outside the community, and 8.90 per cent obtained assistance from other sources. Comparing their living conditions to before the economic crisis of 1997-1999, 64.80 per cent said their living conditions were worse, 30.17 per cent said they had not changed, and only 5.03 per cent said that they were better.

Comparing their lives to the first stage of the economic crisis, 11.73 per cent said their present living conditions were better, but 40.22 per cent said that they were worse, and 48.04 per cent believed their living conditions had not changed. Since the crisis, there has been an increase of 14.20 per cent of households where women and children in the family have to work.

**Table 27: Effects of economic crisis on households (Timruengvej)**

Effects of economic crisis	Households (%)
Unaffected	18.44
Affected	81.56
- Head of household has lost job	5.00
- Household member(s) has/have lost job	24.59
- Decreasing income/increasing expenditures	64.29
- Head of household receives lower pay	6.43
- Household member(s) receives lower pay	13.57
- Evicted	3.57
- Drug Addiction	1.43
- Family problems	0.71

*(ii) Maintaining lifestyle*

Community members tried to maintain their livelihoods by selling or pawning assets. Pawnshops can be found on almost every street in Bangkok. Gold is the most valuable asset, being easily pawned, since people tend to buy it in times of prosperity for accessories but also for selling or pawning in times of crisis. Rather than decreasing expenditure, most people chose to find more cash. Since they had only a small amount of household savings, they sold or pawned assets or engaged in informal borrowing at high interest. The longer the economic crisis lasted, the fewer were the opportunities to get out of the debt.

**Table 28: Strategies to sustain households during economic crisis (Timruengvej)**

Strategies	Rank of strategies used				Total
	1	2	3	4	
Selling/pawning assets	62.12	27.27	6.06	4.55	100.00
Borrowing	58.33	30.21	11.46	0.00	100.00
Increasing working hours	55.00	35.00	10.00	0.00	100.00
Finding another job	53.57	28.57	17.86	0.00	100.00
Using savings	37.50	56.25	6.25	0.00	100.00
Decreasing expenditures	39.42	42.31	16.35	1.92	100.00
Accept lower payments	41.18	47.06	0.00	11.76	100.00
Quitting/decreasing habits or non-essential activities	10.00	60.00	30.00	0.00	100.00

*(iii) Depending on others*

The survey results (Table 29) indicated a low level of interdependence among relatives, possibly because there were few relatives in the community or they could not depend financially on those that were there. The interviews, however, indicated that community

members did receive help from relatives, including those in their home village who borrowed money with low interest rate on their behalf. However, it appeared that expectations of relatives often exceeded what relatives could actually do for them. Hence there is a sense of disappointment in the surveys, which does not reflect what relations do for one another. When unemployed or suffering an accident or other emergency, 69.27 per cent of households do not rely on anybody outside the family household. Table 29 also indicates that the respondents thought government officials and public organizations did not provide any assistance to the community. In fact there were many government programmes established to help the poor, but the community did not know how to access them.

**Table 29: Sources of assistance to heads of households in emergencies (Timruengvej)**

Sources of assistance	Accident	Unemployment	Litigation
Self-reliance	69.27	69.27	45.25
Relatives inside the community	7.82	5.03	5.59
Relatives outside the community	8.94	7.26	11.73
Employer/supervisor	2.23	1.12	2.23
Friends at work	1.12	2.79	0.56
Friends inside the community	4.47	2.23	2.79
Community leader	0.00	0.56	4.47
Influential persons/local businesspeople	0.00	0.00	0.00
Government officers	1.12	0.56	2.23
NGO	0.00	0.00	0.00

As mentioned earlier, 58.43 per cent of households were in debt. Most finance came from informal unsecured lending and only 5.77 per cent from bank loans. Loans from the community savings group were low because the savings groups had few members and limited funds.

The main purposes of borrowing were paying everyday expenses, investing in an occupation or job (such as a small vending operation), or purchasing such things as electrical appliances or clothes. Since Timruengvej members have been squatting illegally and some wanted more secure housing, 6.6 per cent of the respondents had a loan to buy a house or land. Only 6.18 per cent were in a position to lend money to others.

**Table 30: Sources of household loans (Timruengvej)**

Source of loan	Households (%)
Bank	5.77
Chit fund	1.92
Personal lending	56.73
Relatives	10.58
Community savings group	8.65
Community savings network	6.73
Credit retailing	9.62
Total	100.00

**Table 31: Uses of household loans (Timruengvej)**

Uses of loan	Households (%)
Household expenditure	37.74
Investing in an occupation	28.30
Credit retailing	14.15
Buying house/land*	6.60
Children's education	5.66
Paying debts	4.72
Health-care	2.83
Total	100.00

\* Not clear whether direct or interest cost.

### ***Borbua-Pratunam***

#### *(i) Impact of crisis*

After the 1997 economic turmoil there were many changes:

- many became unemployed and remained so;
- some women became the major breadwinners;
- vendors saw reduced sales and consumers bought cheaper products;
- transport costs went up and casual labourers worked closer to home;
- some had to take out further loans; and
- some started to learn new skills.

In the beginning of the economic crisis, there were rumours about the operations of the savings group committee and 200 to 300 members left the group, with only 30 remaining. Outside agencies initiated programmes to organize unemployed people into groups such as housewife groups and vocational groups.

The economic crisis affected 85.50 per cent of households. Table 32 summarizes perceptions of the effects of the economic crisis: 82.94 per cent believed the economic crisis had

resulted in higher costs of living; only 3.53 per cent thought it had resulted in the unemployment of the heads of household; and a small proportion felt that it brought about family and drug problems. Of those affected, 55.95 per cent said they relied on themselves and had no assistance while 23.81 per cent<sup>16</sup> said they received help from relatives outside the community for jobs and money.

**Table 32: Effects of economic crisis on households (Borbua-Pratunam)**

Effects of economic crisis on households*	Households (%)**
- Head of household has lost job	3.53
- Household member(s) has/have lost job	11.18
- Decreasing income/increasing expenditures	2.94
- Head of household receives lower pay	7.06
- Household member(s) receives lower pay	82.94
- Evicted	8.24
- Drug Addiction	0.59
- Family problems	1.18

\* By comparison with Table 27, this community appears to have had no one unaffected by the crisis.

\*\* These percentages have not been harmonized. This may be due to multiple responses.

In Borbua-Pratunam, 60.50 per cent believed their overall quality of life had deteriorated since before the crisis began; 35 per cent said it had not. Comparing their current situation to the beginning of the economic crisis, 12.50 per cent saw their living status as better, 25 per cent as worse, 62.50 per cent as unchanged. One effect of adjusting to the crisis was the changing roles of household members: 90.05 per cent acknowledged that women and children had to work; about 62.50 per cent of women and children had itinerant labour jobs, and 37.50 per cent sold homemade products and other merchandise. The most adopted strategy was seeking a loan, followed by an additional job, increasing work hours, and decreasing expenditures.

**Table 33: Strategies to sustain households during economic crisis (Borbua-Pratunam)**

Strategies	Rank of strategies used				Total
	1	2	3	4	
Selling/pawning assets	27.69	56.92	12.31	0.00	100.00
Borrowing	61.76	25.49	12.75	0.00	100.00
Increasing working hours	44.00	44.00	8.00	4.00	100.00
Finding another job	57.14	25.71	17.14	0.00	100.00
Using savings	38.46	34.62	21.15	5.77	100.00
Decreasing expenditures	48.33	30.00	20.00	1.67	100.00
Accept lower payments	28.57	42.86	28.57	0.00	100.00
Quitting/decreasing habits or non-essential activities	4.76	42.86	33.33	19.05	100.00

<sup>16</sup> This figure is not reconciled with the figure given in Table 34, as it deals only with “emergencies”.

*(ii) Survival strategies*

Some 45.80 per cent of the households had used borrowed money for daily consumption. This seemed to indicate an inability to think long-term about their future. Many had the capacity to set up their own businesses, yet their preference was to work as employees. Running their own businesses was seen as a poor substitute, not a conscious alternative. With this attitude it is easy to see why their businesses were not successful and the planning was short-term. Once employment was found, they ceased their business.

Those in a “culture” of poverty are not in a position to have an entrepreneur’s mindset. Because their primary concern is survival, they tend to prefer the security of a salary over the risks and insecure rewards of investment in a business. Since they must focus on making enough money in the short term, they do not seem to aspire to be wealthy. In addition, they may lack commercial vision and sufficient management skills to be successful in business.

In emergency situations, few heads of households said they sought help from relatives. Most said that they relied on themselves in the first instance.

**Table 34: Sources of assistance to heads of households in emergencies (Borbua-Pratunam)**

Sources of assistance	Accident	Unemployment	Litigation
Self-reliance	67.00	64.00	40.50
Relatives inside the community	10.50	9.00	9.00
Relatives outside the community	5.00	4.00	9.00
Employer/supervisor	2.00	0.50	2.50
Friends at work	0.00	1.00	2.00
Friends inside the community	3.50	4.00	4.00
Community leader	5.50	2.00	15.50
Influential persons/local businesspeople	0.00	0.00	1.00
Government officers	2.50	1.00	4.50
NGO	0.00	0.00	1.00

\* There is some discrepancy from the figures given earlier.

In terms of financial aid, only 6.15 per cent said they borrowed from relatives, while up to 46.15 per cent borrowed from informal financial sources with the consequences of interest rates as high as 30 per cent, interest collected daily and being doubled or tripled if not paid on time, and the threats of violence. But they felt they had no other choice, since they had no credit record or collateral to borrow from formal institutions. Other alternatives included borrowing from employers and community leaders, but mobilising savings and making low interest loans through community savings groups seemed to be the only obvious solution.

**Table 35: Sources of household loans (Borbua-Pratunam)**

<b>Source of loan</b>	<b>Household (%)</b>
<i>No debts</i>	33.50
<i>In debt</i>	66.50
Bank	15.38
Chit funding	3.08
Personal lending	46.15
Relatives	6.15
Community savings group	18.46
Community savings network	6.15
Credit retailing	4.62
Total in debt	100.00

**Table 36: Use of household loans (Borbua-Pratunam)**

<b>Use of loan</b>	<b>Household (%)</b>
Household expenditure	22.14
Investing in an occupation	45.80
Credit retailing	3.05
Buying house/land	6.11
Children's education	14.50
Paying debts	4.58
Health-care	0.76
Others	3.05
Total	100.00

### **3.5 Analysis of institutional support in surveyed communities**

#### ***Both communities***

##### *(i) Government programmes*

Congested communities are found in all parts of Thailand and the Government has long tried to cope with their problems. Before the economic crisis, the Eighth National Economic and Social Development Plan (1997-2002) promoted coordination between public sector, private and community organizations in:

- 1) developing better physical development projects for the community (improving footpaths and drainage, eliminating garbage, preventing fires) and developing the community economically;
- 2) establishing public and health utilities;
- 3) creating jobs for the workforce;
- 4) encouraging savings; and
- 5) supporting investment at a low rate of interest.

After the crisis, the Eighth National Economic and Social Development Plan was revised to:

- a) alleviate urban unemployment and promote employment in rural areas to absorb returning migrants;
- b) assist underprivileged groups; and
- c) lessen social problems, especially drug use and crime, and promote Thai social values.

And the Government created several work units to implement these new guidelines:

The Community Organization Development Institute, under the Minister of Finance, merged the previous City Organization Development Bureau and Rural Development Funding Bureau. It aimed to support career development, increase income, and improve living conditions. Participating communities were meant to build on their own self-reliance, but the Institute gave financial and co-ordination assistance.

The National Housing Authority gave money to the poor to rent or buy a house, and tried to improve the environment in the community.

In addition the Government and the private sector had created a number of social programmes:

- 1) Statutory social insurance. Three programmes: Social insurance under the 1990 Social Security Act, a Workers' Compensation Fund, and insurance against car accidents.
- 2) Security on voluntary basis. Access to health-care for cardholders; provident funds for the aged; and private insurance which can be used for health-care or old-age security or both.
- 3) Occupational security scheme. A scheme available to government officials, employees of state enterprises and large private enterprises. One is a health-care benefit scheme based on the 1990 Health Care Act for Civil Servants. Another is the old-age security system, being formed into a new system called the Central Provident Fund (CPF).
- 4) Other welfare schemes. Welfare programmes for the general public provided by the Ministry of Public Health (MPH) and the Department of Social Welfare, Ministry of Labour and Social Welfare. These include free health care provided by MPH, living allowances from MOLSW, employment services from the Department of Employment (DOE), occupational promotion funds from DOE consisting of (a) the Public Economic Welfare Fund, (b) the Women's Occupational Promotion Fund, and (c) Rehabilitation of the Disabled Fund.

These programmes, however, only helped the poor who were employed in the formal sector. Workers received social welfare care only if they were registered in the Social Security System. They also received health-care, maternity benefits, and benefits for illness or accidents related to work or to car accidents.

#### *(ii) Informal sector programmes*

A few programmes were created to support the informal sector. The best known was the Social Investment Fund (SIF) established in September 1998. It tried to use the crisis as an

opportunity for decentralization, better governance, community empowerment and developing partnerships among the elements of civil society. Grants were given for demand-driven community sub-projects aimed at alleviating short-term economic and social impacts of the crisis (Jomo, 1998).

Sub-projects eligible for SIF funding fell under five categories:

- 1) Capacity and Learning Development in Community Marketing, provided training in production and marketing of local products and the development of community water supplies.
- 2) Community Welfare and Safety included community child development and day-care centres, community playgrounds, and shelters for AIDS patients.
- 3) Restoration, Protection, Management and Promotion of Culture, Environment and Natural Resources embraced activities such as mangrove preservation and forest management.
- 4) Community Capacity Building and Networking included cultural preservation, such as training in community network development, occupation development and savings group development.

People from both communities in this study had made some use of government and non-government services provided for them such as health-care, childcare, etc.

*(iii) Formal resources*

- 1) A Childcare Centre had been built in Timruengvej by a Catholic priest whose mission was to assist slum communities. The initiation fee to enrol a child was 500 baht and the cost 20 baht per child a day. The centre was a valued service, but did not offer support beyond its core activities.
- 2) The Ministry of Public Health came to Timruengvej to issue health cards for the poor. However, some residents felt they would be stigmatized by the card and discriminated against by health-care providers. Most residents cured themselves with medicines bought from drugstores and often relied on advice from the salespeople there.
- 3) The BMA Mobile Health Unit came to Timruengvej from time to time. With more serious illnesses, residents would either visit private clinics or the nearby Air Force hospital.
- 4) The National Housing Authority (NHA) did not play a formal or direct role in either community. The Timruengvej site was private land and the case with regards to squatting had been held up in court. The Borbua-Pratunam land belonged to another semi-state agency where both parties were in dispute and did not wish the NHA to intervene. The State Railway of Thailand wanted to contract out its land to the private sector to manage. The residents would have liked to manage the land themselves. The Borbua-Pratunam case was more complicated than one of a poor community versus landowners. The self-sufficient shopkeepers and even the richer market business people had become involved, and it was probably also in their interests to have the poorer residents rally for community control of the land rather than to have private real estate companies take it over.

- 5) The Community Organization Development Institute and its forerunner, the Urban Community Development Organization, was an external entity that had outreach to poor communities. Its presence was stronger in Borbua-Pratunam than Timruengvej. When threats of eviction become stronger, some resident leaders turned to it for assistance and advice.
- 6) The Social Investment Fund. The Social Investment Programme created a fund for community groups to support long-term capacity building. Residents of Borbua-Pratunam applied to SIF for a revolving intra-community loan fund (the loans were to be paid back with interest thus replenishing the fund). However, problems with the first instalment resulted in the money not being used as a revolving fund. The committee had become cautious and put the second instalment in the bank rather than lending it out.
- 7) NGO groups and the Regional Alliance of NGOs for slum-dwellers. The Borbua-Pratunam community leaders had been in contact with NGOs which gave them assistance and also taught them methods such as strategizing, mass mobilization, and use of media. One leader had been elected to represent poor slum-dwellers in the district at an NGO forum.

*(iv) Informal resources*

- 1) Ethnic Indian moneylenders operated in poor urban communities. They required personal guarantees from relatives, friends or neighbours. The interest was high and was collected daily. However, this seemed to be a credit facility that residents could not do without. When they went into self-employed work they needed loans of 5,000-7,000 baht for use as down payment for a motorbike or a motor to attach to a tricycle so a scavenger could go out and collect trash.
- 2) Moneylenders with ties to outside bosses, gangsters or people of influence. This group of lenders resorted to intimidation and violence when interest or principal repayments were not made on schedule. The most common form of violence was beating with a water pipe. As they were organized and fearsome, the informants did not want to talk much about them.
- 3) Job Contractors. Some outside middlemen subcontracted work to community members, usually through the community leaders. Labour-intensive activities could be done at home by mothers with young children, unemployed youths and the elderly.
- 4) Gambling operations in the communities were managed by larger outside concerns. Community members were heavily involved in various forms of gambling. Playing the underground lottery was popular, but other types of lottery were also played. Much money, hopes, wishes and expectations were tied up in gambling. Despite appearances of irresponsible behaviour, the excitement and fantasies of “getting rich quick” seemed to make the daily drudgeries of poverty more bearable.

*(v) Use by the community*

Some members made use of these external resources extensively, others sparingly, and still others seem to be hardly touched by them. Those with many relatives might have found their own networks sufficient. Not every household used the services of moneylenders. Community leaders tended to utilize external institutions to enhance their connections and

contacts with the external world. Those in permanent employment probably had their own social insurance plan, and did not need the Ministry of Public Health or the BMA.

Generally, members of the communities did not have much time or opportunity to interact with persons and agencies outside their communities. They invested most of their time in things directly related to work and daily living. Going out to the larger outside world was a luxury.

***Timruengvej community***

Timruengvej had a health-care centre for treatment of minor illnesses. People could also access health-care state hospitals: the two most popular being Nopparat Hospital and Bhumibol Hospital. For simple remedies, people bought from nearby drugstores. One community member said that people had to wait too long at state hospitals and they could not afford the time. Not working meant not having money for the family, so getting medicine from drugstores was the first thing they did when sick.

The child-care centre, founded by Father Joseph Myers, also functioned as a place where people went for recreation. In the past, children and some adults had been able to play badminton or takraw, and exercise in the community playground. However, the area for the playground as with other open spaces in the community had become scarcer because of the increasing number of newcomers needing housing space.

The people of Timruengvej were well aware of the community assets they had and those they didn't. The majority believed they lacked most of the things necessary for improving the quality of their lives. Very few stated that what they had was adequate. Recreation was important. The average amount that people spent on recreation was 8 per cent of their income, or 454.58 baht a month. This seemed a high figure, but informants pointed out that because the community lacked recreational facilities, they had to go elsewhere, and this was expensive.

**Table 37: Household opinions on sufficiency of community assets (Timruengvej)**

Type of community assets	Sufficient	Not available	Available but not sufficient
Parks and rest areas	0.00	74.86	25.14
Sport/recreation fields	1.12	75.42	23.46
Meeting/training centres	5.03	65.36	29.61
Health-care centres	1.12	74.36	24.58
Child-care centres	12.85	65.36	21.79
Care centres for the elderly	1.12	81.56	17.32

***Borbua-Pratunam community***

As in Timruengvej, the residents had health care and other services from government and non-government organizations. There was a health-care centre where the sick obtained care, and villagers were trained in delivering some health services such as first aid.

Government organizations, such as the National Housing Authority and the Urban Community Development Office, had organized social welfare activities. In addition the community had its own services such as the community recreation area and meeting centre. These services are managed professionally with help from the Government and NGOs.

At the entrance of Borbua-Pratunam, there was a small area decorated with plants and flowers. It had the signboard of the Borbua-Pratunam community with pictures of the King and Queen and the community's declaration on land rights. A one-storey building was being constructed as a place for community meetings and the saving group's activities. The materials had been allocated from the savings group and SIF, and people provided their labour free of charge. There was, however, no child-care centre or sports centre; only a playground with swings for children near the State Railway of Thailand office in the Pratunam cluster.

Loud-speakers had been installed at the market and in the community, and leaders and designated speakers talked every day to the villagers on community matters and informed them of upcoming activities and services. The radio news was also broadcast each morning. A large notice board in front of the Borbua-Pratunam savings group leader's house posted information, such as the financial and lending status of the savings group, minutes of meetings, etc. Since there was only one way in and out of the community, people stopped and checked the board for current news.

**Table 38: Household opinions on sufficiency of community assets (Borbua-Pratunam)**

<b>Type of community assets</b>	<b>Sufficient</b>	<b>Not available</b>	<b>Available but not sufficient</b>
Parks and rest areas	31.66	17.09	51.26
Sport/recreation fields	13.50	54.50	32.00
Meeting/training centres	38.50	32.00	29.50
Health-care centres	30.50	41.50	28.00
Child-care centres	5.50	75.50	19.00
Care centres for the elderly	7.50	74.50	18.00

## **4. Informal sector policy proposals for Thailand**

### **4.1 Preventative measures to counter migration**

Poor migrants from the rural areas will continue to flock to the city in search of opportunities and money. Unlike many other societies, these migrants continue to maintain ties to their home provinces. They also express an interest in returning there one day if they could save enough to reinvest back home. They felt that educational opportunities for their children in the city are better than back in the rural areas. Hence some of them insist that once the children are grown and have good jobs, they will return home.

- a) Greater equity in education, employment and life chances is needed. Even the limited educational opportunities of the urban poor are perceived as superior to those in the rural areas.
- b) By developing policies and subsidies to aid rural reconstruction, urban congestion might be reduced.

### **4.2 Land encroachment prevention**

Vacant, unused lands in the cities invite settlement by squatters. The poor understood their legal situation, and while fighting eviction, also make preparations for alternative housing. Moving from one squatter settlement to another is a fact of life. Illegally settling in a convenient location is preferred to being moved to far away places where commuting and making a living would be too difficult.

- a) Housing policies should recognize these requirements, and income opportunities, commuting facilities and commuting time should be important factors for consideration in planning low-income housing projects.
- b) Seek ideas and inputs from the poor in planning housing policies and give a sense of ownership in housing projects.

### **4.3 Exploitation prevention**

The poor are directly or indirectly exploited by institutions and individuals external to their communities, such as moneylenders, providers of sub-contract work, and gambling operators. Due to the lack of micro-financing programmes, these exploiters have assumed an indispensable role in the lives of local communities.

- a) Agencies must seriously adopt micro-finance systems for the poor. Keep transaction costs low (use locals to help run and manage systems). Recognize that in fact the poor are very good credit risks.
- b) Impose measures to guard against abuses within the informal economy, but not to impede its vibrancy.
- c) Devise methods to slow down gambling's hold on the poor. Help people transfer the fulfilment of their fantasies and wishes into legitimate activities.

#### **4.4 Motivation to acquire new skills**

The community members had tried hard to improve their lives through the means known to them. With limited skills it is difficult to seek better jobs. Skills training does not attract strong enthusiasm and does not ensure success in new ventures, which require capital, marketing channels and other support.

- a) Adopt an integrated approach to job creation, training, capital and micro-finance, and diversification of job opportunities.
- b) Include substitution of a day's wage or other incentives to encourage and promote training.

#### **4.5 Youth empowerment**

Young people are left to their own devices in an environment devoid of activities that will strengthen their minds and bodies. When there is vacant land, sports activities are attempted by young people but usually there is no outlet for their energy.

- a) Promote policies in recreation, sports, and personal skill development for young women and young men – especially for poorer youth, and strengthen the younger generation for future competition in the world arena.
- b) Implement different models of learning and activities for young women and young men, perhaps involving management by civil society organizations with state subsidies.

## **5. Conclusions**

### ***Impact of crisis***

In this survey of two communities, most household members were already poor and had been made more so by the economic crisis. The first impact of the economic crisis on the communities was the increase in the number of its inhabitants. Relatives and friends of the inhabitants who had been laid off moved in out of sheer desperation or to economize by sharing expenses. The second impact was the effect on incomes as factories closed or cut jobs, and there was less work for independent workers like electricians, mechanics, taxi drivers and casual labourers. They had to find new ways to make a living as waste collectors, scavengers, motorcycle taxi drivers, food vendors, or itinerant vendors. The third impact was that women and young people took on a major role as income earners. Many female informants admitted to greater stress as they took on this responsibility of being the main income-earner. The fourth impact was the adoption of various coping options: spending less, borrowing more and seeking more sources of income, or having more family members undertake work.

### ***Options and assets***

As the local residents lacked regular income and capital, as well as education, skills and institutional support, they were forced to make a living by whatever means they could. To sustain themselves, many borrowed from informal moneylenders, but this just worsened the overall financial status of the community.

As with all poor people, they do possess certain assets which allow them to get by on a daily basis. Here there were some opportunities for work, though at extremely low pay. They could not save anything, but the money at least helped to put food on the table. In both communities, the inhabitants lived rent-free, although they faced threats of eviction from time to time. The location of both communities, near where informal jobs could be found, was an asset. The informal networks in the community were needed and used in times of crisis. Though the majority of people relied on themselves, support came from people in and outside the community. Help from relatives also came in the form of skills training. In both communities social networks have given rise to formal institutions such as savings groups. Women and youths in both communities helped to sustain their families by becoming extra income-earners. The survey indicated that male and female children as young as 13 years of age worked as labourers.

### ***Support for the informal economy***

Government and non-government organizations now are more clearly aware that the informal economy can absorb people laid off from formal jobs. Existing development plans have been adjusted accordingly, and many kinds of training and support services are made available to provide people with more job options. However, for reasons the study did not succeed in discovering, people in both communities were not enthusiastic about this type of support. Many did not attend any skill training programmes because they were not interested in new skills, and some simply refused to attend without giving a reason.

People used different strategies to cope with their immediate situation, seeking help from outside the family and adjusting their ways of living. When in need of money, they

tended to pawn their assets or borrow money from loan sharks. Some increased their working hours to maintain income. Many stopped non-essential activities, such as going to the movies.

When asked how their community and livelihoods could be developed, most respondents detailed step by step what a suitable development plan should be. Many said that development had to start with education. Although their time for education had passed, they believed that what was needed to sustain the community was to guarantee their young a solid education. Scholarships should be made available to poor people.

Many informants who had poor health said that a sustainable livelihood should begin by providing good health-care. They said they could tolerate work of any type if they were in good health, and if they could work, they would have money. The money could in turn be used to improve their way of living. The life histories of the informants showed how generations of men and women had struggled to support their families through different jobs and by many different methods. However social stratification in Thailand has limited their chances of major improvement; a change in social status was a fantasy. Even if parents invested in education, the children would not be able to compete successfully against privileged children. Poor students could not afford special lessons to prepare them for the university entrance examination. Upward social mobility does exist in Thailand, but only in isolated and exceptional cases.

When asked if the community members would like to improve their skills, they would often say “yes”, but that they had no time for training. How would the family survive if no income were made while someone is being trained?

### ***Work and “decent work”***

Most poor people had honestly tried to improve their lives. New forms of self-employment often involved learning new skills and incurring new debts. Some women exercised patience in waiting late at night to be allocated an assignment for the early morning at the golf course. However, there were limits to the economic capacity of the neighbourhood. Too many *salengs* trying to collect trash in one neighbourhood would create a nuisance for the home-owners. And with limited transport there was little interaction with the outside world.

To the poor, “decent work” means having a regular job with a degree of permanence. They were tired of doing odds and ends as hired labour, and exhausted from struggling each day and depending on a host of factors that they had no control over. Hence, any job that paid regularly and was not terminated easily was considered “decent”. Jobs with benefits such as health-care, retirement benefits, bonuses, etc. were even more desirable.

Their aspirations for their children tended to be seen in the same terms. Being a clerk, a salesperson, or a lower level administrative assistant in a large organization might not pay well, but it gave continuity, steady pay and affiliation with a large institution. The research supervisors indicated that in jobs where a uniform was available, this gave immense comfort. Presumably this was because it was a visible symbol of success in terms of the community from which they came. A uniform could be seen as an aspect of “decent work”.

While the current trend in higher business education celebrates the attributes of the entrepreneurial spirit – risk-taking, innovation, and independence – the poor would generally yearn for the monotony and stability of a “regular” job.

Furthermore, in the Thai culture, work itself does not have positive connotations. High status is reflected in power and influence, and by the absence of hard labour. Only a low-status person would engage in physical labour. Hence, the two communities' residents aspired to escape this stigma.

Another Thai expert has disagreed with this view, feeling that class structures were being adapted to the contemporary context. She also distinguished between "work" as productive and of high social value, and "labour" or physical work which gives labourers low status and low rewards.

Cooperation as well as competition was found in work settings within the two communities. While on-the-job training was reported, there was also competition among colleagues, neighbours and friends. A sense of camaraderie was found among those who did the same kind of work.

*"Work is where you can find it; quality can be what you make of it."*



## Bibliography

Arj-Aum, O. (1988): [Senki slum: way of life and development process towards self-reliance] (Monograph No. 117). Nakorn Pathom: Mahidol University, Institute for Population and Social Research.

Bangkok Governor Metropolitan Administration Council. (1995): Solutions to congested area problems in Bangkok. Paper presented at the seminar on Solutions to Congested Area Problems in Bangkok, Bangkok.

Boonphoapichart, S. (1997): Conservation-approach to community development in Wat Samphraya, Ban Panthom and Bangkhunprom. Unpublished thesis, Chulalongkorn University.

Community Development Department (1999): [Strategic plan for self-reliant community economy: 1999-2001] (2nd ed.). Bangkok.

De Soto, E. (1999): The other path: The invisible revolution in the third world. Bangkok: Korbai Press.

Global Competence Project. (1997): [Employment situations: Problems, obstructions, policies, social integration, directions, and anticipation]. Serial paper presented at the conference on Social Development, Copenhagen, Denmark.

Faculty of Economics (1995): การกระจายความเจริญในประเทศไทย [Development distribution in Thailand]. Paper presented at the annual seminar of the Faculty of Economics, Thammasat University, on Development Distribution in Thailand, Bangkok.

Goldsworthy, D. (1994): Analyzing theories of development. Bangkok: Chulalongkorn University, Faculty of Political Science.

Hutaserani, S. and Jitsuchon, S. (1988): Thailand's income distribution and poverty profile and their current situations. Paper presented at the 1988 Thailand Development Research Institute year-end conference on Income Distribution and Long-term Development, Petchaburi.

International Labour Organization. (2001): Decent work and poverty reduction in the global economy [On-line]. Available: <http://www.ilo.org/public/english/bureau/exrel/papers/2000/globalec.htm>

Issariyanukul, W. (1996): [Evaluation of poverty line of the Thai population and the setting of minimum wage rate] (Agricultural Economics monograph No. 3/1996). Bangkok: Office of Agricultural Economics, Bureau of Agricultural Policy and Planning.

Jocano, F. L. (1975): Slum as a way of life: A study of coping behavior in an urban environment. Quezon City: University of the Philippines.

Jomo, K. S. (ed.) (1998): Tigers in trouble: Financial governance, liberalisation and crises in East Asia. Bangkok: White Lotus.

Kaewthep, K. and Kaewthep, K. (1987): [Self-reliance: The potential of rural development]. Bangkok: Catholic Council of Thailand for Development.

Kanpoommarn, M. (1996): [Community development: Concepts and practices]. Chiang Mai: Chiang Mai University, Faculty of Social Sciences, Department of Sociology and Anthropology.

- Khan, A. R. and Lee, E. (eds.) (1983): Poverty in rural Asia. Bangkok: International Labour Organization, Asian Employment Programme.
- Khanthachai, N. (1990): Inequality and development in rural Thailand. Bangkok: National Institute of Development Administration.
- Korff, R. (1989): Bangkok and modernity. Bangkok: Chulalongkorn University Social Research Institute.
- Laismith, K. (ed.) (1990): [Thailand's economy in the world capitalism]. Bangkok: Chulalongkorn University, Faculty of Economics.
- Lee-Atham, P. (1994): From crisis to double digit growth. Bangkok: Vadhachak Publishing.
- Lertpattarapong, K. (1999): [The survey of congested area by selected province 1998]. Bangkok: National Statistical Office.
- Ministry of Finance. (2001): [Role of Ministry of Finance, under Chuan 2 government, in poverty and social problem solutions] [On-line]. Available: [http://www.mof.go.th/social/social\\_mof.htm](http://www.mof.go.th/social/social_mof.htm)
- National Housing Authority. (1991): [Congested area problem solutions project: Phase1 (1992-1993), corresponding to the Seventh National Economic and Social Development Plan]. Bangkok: Author.
- National Housing Authority. (2001): [History and policies of the National Housing Authority] [On-line]. Available: <http://www.nhanet.or.th/history.html>
- Patpui, S. (1984): [The rights of slum]. Bangkok: Thammasat University, ThaiKadi Research Institute.
- Payutto, P. (1998): [Sustainable development]. Bangkok: Komol Keemthong Foundation Press.
- Permtanjit, K. (1993): [Theories and concepts of urbanization]. Bangkok: Creative Publishing.
- Petchprasert, N. (ed.) (1999): Thai poor in crisis. Bangkok: Chulalongkorn University, Political Economics Studies Centre.
- Petmark, P. and Angsuthanasombat, K. (1990): [Relationships between informal labourers in congested areas and urban economic system: Case study of waste collectors in Bangkok]. Bangkok: Foundation for Accommodation Development, Division of Information.
- Phongpaichit, P., Piriya-rangsarn, S. and Treerat, N. (1996): Challenging social exclusion: Rights and livelihood in Thailand. Geneva: International Labour Organization.
- Pipatseridham, K. (1985): Economic changes and human rights problems in Thailand. Bangkok: Thammasat University, ThaiKadi Research Institute.
- Puangsamlee, A. and Arj-Aum, O. (eds.) (1998): [Development of life quality measurement]. Bangkok: Thailand Research Funds.
- Rapeepat, A. (1998): [Evolution of congested communities and congested community organizations]. Bangkok: Bureau of the Crown Property, Institute of Community Development Research Foundation.
- Shigetomi, S. (1998): Cooperation and community in rural Thailand: An organizational analysis of participatory rural development. Tokyo: Institute of Developing Economics.
- Sirimart, R. (1982): Poverty and basic needs. Chiang Mai: Chiang Mai University.

Social Development Projects Division. (1983): [Basic needs of Thais and characteristics of Thai society: Measurements and anticipation] (2nd ed.). Bangkok: Office of the National Economic and Social Development Board.

Society for International Development. (2001): The full report of the first phase of the SID sustainable livelihoods project [On-line]. Available: <http://www.sidint.org/docs/SLReport.DOC>.

Suntipaporn, S. (1995): The 1994 demographic survey of population in congested community of Bangkok Metropolis. Bangkok: National Statistical Office.

Sussangkarn, C. (1994): Income distribution and long-term development: A summary. TDRI Quarterly Review, 9(4), 6-10.

Techa-Athik, S. (ed.) (1997): NGOs: An alternative of changing power. Khon Kaen: Board on Co-ordination of NGOs for Northeast Thailand Rural Development.

Thailand Development Research Institute (1998): [Sustainable socio-economic rehabilitation plan for community]. Bangkok.

Thavinpipatkul, D. (1998): [Urbanization and social changes in developing countries] (2nd ed.). Bangkok: Chulalongkorn University Press.

United Nations Development Programme (1997): Human Development Report. New York: Oxford University Press.

———, (2001): Back to office report on sustainable urban livelihoods in Ecuador (21-22 June 1999) [On-line]. Available: [http://www.undp.org/SL/Document/Country\\_specific/Ecuador\\_BTOR/ecuador\\_btorg.htm](http://www.undp.org/SL/Document/Country_specific/Ecuador_BTOR/ecuador_btorg.htm)

———, (2001): Egypt workshop report [On-line]. Available: [http://www.undp.org/SL/Document/Country\\_specific/Egypt\\_Wkshp/egypt\\_wkshp.htm](http://www.undp.org/SL/Document/Country_specific/Egypt_Wkshp/egypt_wkshp.htm)

———, (2001): Sustainable livelihoods in Malawi: A case study [On-line]. Available: [http://www.undp.org/SL/Documents/Lessonper cent20Learned/Case\\_study.htm](http://www.undp.org/SL/Documents/Lessonper cent20Learned/Case_study.htm)

Urban Community Development Office (1995): 1995 annual report of the development projects for the urban poor. Bangkok: National Housing Authority.

Wasi, P. (1994): [New development paradigm] (Monograph No. 314-14). Bangkok: Office of the National Commission on Social Welfare.

Wongtrangan, K. (1982): [Formation and expansion of Bangkok Metropolis: The study of change]. Paper presented at the seminar on Two Decades of Rattanakos in: The Changing of Thai Society, Bangkok.

World Bank (1997): India: Achievements and challenges in reducing poverty. Washington, DC.

Zanini, G. (1999): Philippines: From crisis to opportunity: Country assistance review. Washington, DC: World Bank.



## **PART II**

# **Sustainable Livelihoods and the Role of the Informal Sector in Coping with Economic Crises in Zambia**

Samuel Mulenga Bwalya  
Department of Environmental  
and Resource Economics  
University of Rhode Island



## **Acknowledgements**

I am grateful to Mr. Peter Drybak for his inputs and participation in the fieldwork and to Mr. Phillip Jespersen and the staff at the ILO (Geneva) for their professional comments and guidance during the preparation of the report. I am particularly grateful to the participants at the national dissemination workshop for their thoughtful comments and insights. The usual disclaimer applies.



## Executive Summary

- The International Labour Organization (ILO) and United Nations Development Programme (UNDP), initiated studies into the informal sector's role in providing sustainable livelihood options for coping with economic crises in Zambia.
- The study aimed to document household livelihood strategies in the informal sector, and to analyse the different types of capital (natural, human, economic, social and “dead”) and the institutions on which poor households draw to pursue their livelihoods in the face of economic crisis. The different opportunities and coping strategies were also studied according to different socio-economic and demographic, rural and urban, gender and age characteristics.
- A questionnaire, supplemented by focus group discussions, was administered to households drawn from four different low-income urban, peri-urban and rural communities. Government and non-government (and a few bilateral and multilateral) agencies were surveyed to assess how their policies and programmes had impacted on the coping strategies of the poor during the last two decades of economic reforms.
- Income-generating activities in the informal sector differed remarkably according to rural/urban and gender categories. Of those surveyed in the four communities, 8.5 per cent were exclusively employed in the formal sector, 66.7 per cent were self-employed, 8 per cent were informally employed (in piecework), 9.7 per cent were unpaid family workers, and 7.4 per cent combined both formal and informal employment. More men than women (73.1 per cent to 46.5 per cent) were self-employed and the majority of unpaid family employees were women. The two rural communities which also had the highest poverty characteristics had the largest proportion of casual labourers (most of the casual farm labourers being women).
- Women tended to pursue activities that suited their “culturally-defined” reproductive roles; in urban areas: petty trading in foodstuffs, restaurants and tailoring; and in rural areas: subsistence farming. Men engaged in furniture-making, welding and metal fabrication, trading, and in cash crop farming and marketing.
- Real estate comprised the largest proportion of total household assets. There was substantial “dead capital” among urban and peri-urban informal sector dwellers but most of this lacked secure formal title. If property rights were assigned and markets made more efficient, the poor could use these assets to gain access to finance.
- Most rural households derived income and livelihoods from agricultural informal sector activities while urban households did so from non-agricultural informal sector activities. Their major obstacles were lacks of credit, information, skills, entrepreneurship training, and access to markets plus the high cost of inputs. Poor implementation of government programmes undermined the potential of the informal sector to create sustainable employment.
- Women and young people increased their participation in the informal sector because of:

- Massive retrenchments in the formal sector with most finding informal sector employment in order to survive.
  - Falls in formal sector real wages and rises in the cost of living, resulting in the formally employed seeking secondary income in the informal sector, often along with their spouses and children.
  - Increased mortality due to HIV/AIDS especially in the 15-49 age groups, leading to an increase in “child-headed” and “granny-headed” households and increased participation by women, youths and children in the informal sector.
- HIV/AIDS has led to an increase in the number of children living and working on the streets in urban areas. Despite Zambia being a signatory to the major international conventions on the rights of children and on child labour, the minimum age for entry into the labour force was lowered in 1991 from 14 to 7 years.
  - While government employment creation and poverty reduction programmes have focused increasingly on the informal sector there is no comprehensive policy and institutional framework to coordinate programmes and activities. In youth programmes where standard management, transparency and accountability practices were applied, youth livelihoods improved. Government youth programmes have been less effective for several reasons including political interference. There is considerable scope for improvement through better programme design and implementation, improvement in governance, promotion of effective partnerships, and political will.

# 1. Overview of the informal sector in Zambia

## 1.1 Sustainable livelihoods and the informal sector

### *Sustainable livelihoods approach*

In the past, development analysis has tended to focus on material issues rather than on people, on the rich rather than the poor, on men rather than women, and on quantity rather than quality. It has also reflected urban and industrial rather than rural and agricultural activity. This meant that issues such as the rural poor, children, and gender, were treated as peripheral to the central debate (Chambers, 1988). In the 1990s, there has been interest in policy analysis that starts with such people, where they live, what they have, and what their needs and interests are. This change has led to the use of the sustainable livelihoods approach, as in this study.

The United Nations Development Programme (UNDP)<sup>17</sup> defines livelihoods broadly as the assets, activities and entitlements, which people utilize in order to earn a living. Assets are defined to include not only natural/biological assets (i.e., land, water, common-property resources, flora and fauna), but also social (community, family, social networks), political (participation, empowerment), human (education, labour, health and nutrition), physical (roads, clinics, markets, schools, bridges), and economic (jobs, savings and credit, etc.) assets. In this context, sustainable livelihoods are taken to be a function of how men and women utilize asset portfolios both on a short and a long-term basis. They do this in order to pursue livelihoods, cope with and recover from stress factors such as drought, civil war, and policy failure, while at the same time achieving objectives of economic efficiency, social equity and environmental sustainability (UNDP, Sustainable Livelihoods concept report).

*“It is important to note that the livelihood opportunities and coping patterns for women are often very distinct from those of men, and the same applies to differences between young women and men (youth). This results from the fact that the means, entitlements and knowledge through which women and men live are embedded in power relations, which are exercised through issues of class, ethnicity, gender and age. Therefore, to get the whole picture we need to use categories of gender and rural and urban location. The key components of the Sustainable Livelihood Approach methodologies are:*

- Participatory assessment of the risks, assets, indigenous knowledge-base, and coping and adaptive strategies of men and women within particular communities;
- Analysis of the macro and micro policies as well as governance issues, which influence men and women’s livelihood strategies;
- Assessment of developments in science and technology that complement indigenous knowledge systems and so improve livelihoods;
- Identification of social and economic investment mechanisms (i.e., micro finance, expenditures on health and education) that help or hinder existing livelihood strategies; and a monitoring and evaluation system to assess progress towards livelihood sustainability.

---

<sup>17</sup> Other major institutions that promote the SL concept include CARE, DFID, OXFAM and CIDA as well as some research institutions, i.e., IISD and University of Sussex, IDS.

## *Informal sector*

There are analytical problems with the concept of “informal” sector. The lack of a widely accepted definition of the informal sector is not because experts haven’t spent time reflecting on it but because it seems to cover a huge range of meanings (McGrath and King, 1996). This paper adopts the International Labour Organization (ILO) definition:

*“Very small units producing and distributing goods and services, consisting largely of independent self-employed producers in the urban and rural areas of developing countries, some of whom also employ family labour and/or a few hired apprentices, which operate with very little capital or none at all; which utilize a low level of productivity; and which generally provide very low and irregular incomes and highly unstable employment to those who work in it.”*  
(ILO, 1997)

This definition sees informal sector operators and activities as mostly unregistered, unregulated, and unable to access organized markets or institutional support. Even when registered and observing some aspects of the law, they are often unprotected in the workplace by social security and labour legislation (ILO).

There are four types of informal sector operators:

- self-employed (“proprietors” in the informal sector);
- informally employed (working for wages as casual workers, seasonal farm workers or service workers and domestic servants);
- formal sector employees and self-employed who work part-time in the informal sector;
- remainder (comprising mainly apprentices and unpaid family workers).

Informal sector activities in Zambia can be subdivided further:

- Micro enterprise sub-sector dominated by manufacturing activities, often regarded as the most dynamic and growth-oriented part of the informal sector. Entrepreneurs in this sector often maintain beneficial business links (social capital) with the formal sector. Individuals in maize marketing may buy and sell maize to milling and brewery companies, and furniture and textile producers may sell their products to final consumers and to registered retail and wholesale outlets. Wood processing and furniture production, textiles and garment production, metal fabrication and food processing tend to dominate this category.
- Household or family sub-sector employing unpaid family labour. This category dominates subsistence agriculture and low-value trading (retailing and vending) and restaurant businesses.
- Independent service sector (domestic workers, helpers, street vendors, and cleaners). This category is often the most under-valued and least rewarded and is dominated by women and youth.

There are two views of the role of the informal sector in the national economy:

- 1) It is a transitory and residual part of the economy, its role in poverty reduction is minimal and transitory, and its contribution to national development is insignificant. The basic premise is that people enter into the informal sector on a temporary basis while waiting for opportunities in the formal sector to unfold. The argument is that those who get stuck there and stay in permanent poverty are those who lack sufficient technical skills or resources to rejuvenate or diversify their micro enterprises so as to increase income.
- 2) The informal sector plays an important role in people's livelihoods and national development in several ways:
  - Forming human capital, for instance through apprenticing and other forms of learning-by-doing (thus acting as an incubator for entrepreneurship in the economy).
  - Providing employment and income-generation opportunities for informal sector entrepreneurs and employees, (including those who work in both the formal and informal sectors), and providing self-employment (though without social security), and flexible opportunities for the formally employed to supplement their incomes.
  - Being a growth base for micro enterprises in certain particular market niches into formal medium-size enterprises. For instance some tailoring and designing enterprises that now produce both for the local and export markets started as informal sector enterprises.
  - Playing a key role in the distribution chain of goods and services especially in the rural areas. For instance, small-scale retail shops (makeshift stores, locally known as *Tuntamba*) have become popular sales outlets for household products from locally and foreign-owned companies (e.g. Coca-Cola). Several wholesale chains use these stores to sell their products and expand their market share in rural areas where their operations would otherwise be uneconomical. In addition, they provide a crucial retailing service by re-packaging goods in smaller units to suit the purchasing power of the poor. Despite the low scale of their operations, these activities are crucial to both the formal and the informal sectors, as well as to the livelihoods of the poor.

## 1.2. Macroeconomic context

### *Problems*

In the mid-1970s copper prices fell. Initially, the Government saw this as temporary and made no adjustments to the major economic variables. This meant government revenue shortfalls had to be financed from domestic or foreign borrowing. The energy shock of the seventies and the debt crisis of 1982 compounded the decline in copper revenue. The Government did not initiate reforms until 1984-85, when it began an IMF/World Bank-type macroeconomic stabilization programme. Interest rates were “artificially” liberalized, allocation of foreign exchange was replaced by a weekly auction system and, more controversially, subsidies on maize were drastically reduced.

The removal of subsidies led to price rises of maize-meal and the subsequent food riots in the Copperbelt Province caused the Government to abandon the IMF/World Bank adjustment programme in May 1987. They began instead a “home grown” National Economic Recovery Programme (NERP) which because it had to be financed domestically meant the country had to balance its bloated consumption with available resources. Eventually NERP

became too difficult to implement and in June 1989, the Government returned to the IMF/World Bank programme, but this too failed because implementation was piecemeal and lacked political will.

### *Improvements at a cost*

Following the liberalization of the political regime and multi-party elections of 1991, the Movement for Multi-party Democracy (MMD) took government and adopted IMF and World Bank stabilization and structural adjustment programmes. The country's fiscal position was improved and price stability restored, value-added tax replaced sales tax; and the new Zambia Revenue Authority (ZRA) improved tax administration and efficiency. A cash budget was introduced in 1993-1994 and the financial sector was liberalized allowing the market to determine interest and exchange rates. The parastatal sector was privatized and agricultural marketing liberalized.

Macroeconomic stability was achieved. The rate of inflation declined from 138.3 per cent in 1993 to 35 per cent in 1996 and to 18.6 per cent in 1997. Interest rates fell and the exchange rate remained relatively stable through the 1990s (see Table 1). On the other hand, growth in real per capita income slowed down, formal sector employment<sup>18\*</sup> and real wages declined, and poverty levels and human development indicators deteriorated (Budget Analysis, 1999). However, labour participation rates and those of women and youth in the informal sector increased over ten years.

**Table 1: Selected macroeconomic indicators (1991-1999)**

<b>Year</b>	<b>Real GDP growth</b>	<b>Annualized inflation rate</b>	<b>ODB/GDP</b>	<b>RERI</b>	<b>Rate of unemployment</b>
1991	-0.4	93	6.1	- 2.44	21.6
1992	-1.7	197.4	3.5	- 6.36	n.a.
1993	6.8	189	2.5	-11.15	18
1994	-8.6	55.6	-1.13	12.97	n.a.
1995	-2.3	34.9	0.1	16.36	15.1
1996	6.4	43.5	1.35	10.7	12.9
1997	3.5	24.8	1.55	-9.57	14.5
1998	-2	27	-0.25	n.a.	14.5
1999	4	20.6	n.a.	n.a.	n.a.

Source: Budget analysis, 1999 and 2000, Department of Economics, University of Zambia, Lusaka.

Note: GDP – gross domestic product; ODB/GDP – overall domestic budget balance as a percentage of GDP.

### *Effects of economic reforms on the informal sector*

- While financial liberalization restored confidence and efficiency in the informal sector, it also led to the winding up of the Co-operative Bank and the Lima Bank and the collapse of the Zambia Cooperative Federation (ZCF). These latter two institutions had provided

<sup>18</sup> Although the table shows the rate of unemployment decreased between 1991 and 1998, given increases in population and the labour force, the absolute number of people unable to find decent (or quality) employment has otherwise increased tremendously.

over 90 per cent of the credit and other support services to small- and medium-scale entrepreneurs throughout the country. The Government failed to put in place any micro-finance policy or legal framework, and food production and agricultural household income declined and rural poverty increased.

- Although the liberalization of agricultural commodity markets could have increased production, the removal of agricultural subsidies and the lack of micro credit inhibited farmers from doing so. Poor infrastructure (particularly roads) meant the private sector could not fill the gap left by government withdrawal from agricultural marketing. As a result small-scale farmers faced difficulties in selling their produce, and prices were below the average production cost.
- Those who lost formal jobs as a result of privatization and closure of companies during the 1991 reform programme could not enter the agricultural sector because of the high costs following the removal of agricultural subsidies. Most, therefore, became involved in non-agricultural informal livelihood activities such as petty trading.
- Trade liberalization did have the effect of generating self-employment in cross-border trading. However, these increases in informal sector employment in general did not compensate for the loss of formal employment in terms of either quality of employment (i.e. social security) or earnings (Seshamani et al., 1997).

### ***Increase in poverty***

Between 1996 and 1998, national income from own-produced food declined from 19 per cent to 11 per cent, while income from non-food crops increased from 2 per cent to 11 per cent (CSO, 1999). Rural income from own-produced food fell from 41 per cent to 26 per cent, but income from non-food crops increased from 2 per cent to over 15 per cent as a result of a cotton out-grower scheme.

However, food insecurity and rural poverty actually increased because food crop production had dropped and the income from cash crops was inadequate to meet food requirements. So while overall poverty levels declined between 1991 and 1996 (Kani, 2000, p. 26), they rose from 69 per cent to 73 per cent between 1996 and 1998. Much of this increase was accounted for by a rise in the number of people falling into the extremely poor category (CSO, 1998, p. 121).

Table 2 shows the distribution of household income by rural/urban area and gender in 1998. Most rural households derived their income from informal agricultural activities, and urban households from informal non-agricultural activities. In addition, there were more women employed in formal sector agriculture and more men employed in informal non-agricultural activities. This may be the cause of differences in incomes between men and women: women are assigned repetitive manual tasks with low remuneration in comparison to the level of income and quality of work in male-dominated activities. Women's culturally defined reproductive duties constrain their labour mobility. Programmes for gender equity in income-generating activities in the informal sector need to bear this in mind.

**Table 2: Percentage distribution of total household income by rural/urban and gender**

	<b>Informal sector agriculture</b>	<b>Informal sector non-agriculture</b>	<b>Formal sector agricultures</b>	<b>Formal sector non-agriculture</b>	<b>Total sample</b>
Rural	54	6	37	3 (100)	2,717,000
Urban	9	52	4	36 (100)	913,000
Male	56	19	19	16 (100)	1,929,000
Female	36	15	39	7 (100)	1,700,000
<b>Zambia</b>	<b>43</b>	<b>17</b>	<b>28</b>	<b>11 (100)</b>	<b>3,629,000</b>

Source: Living Condition Monitoring Survey Report 1999, CSO; Lusaka.

## 2. Data collection methodologies

### *Sample selection*

Four sample sites were selected, two rural (Mfuwe – including Mambwe in the Eastern Province, and Chiawa in Lusaka Province), one peri-urban (Petauke), and one site based on two high density urban compounds (Mandevu and Malilikili) in Lusaka. The sampling was done to ensure that a range of informal sector activities and livelihoods could be included in the study.

While Chiawa and Mfuwe are both rural areas rich in wildlife, they differ quite remarkably in terms of poverty and vulnerability. Chiawa is occasionally hit by severe droughts and floods, and as a result experiences critical food shortages during which households depend for survival on food relief and wild fruits, berries, honey, wildlife and fishing. Mfuwe on the other hand receives normal rainfall, so food poverty is not as severe.

Petauke provides data on household livelihood activities which are both agricultural and non-agricultural.

Mandevu and Kalikiki were chosen as an example of the survival strategies of urban poor households. Though Mandevu differs from Kalikiliki in having well-established micro-enterprises specializing in furniture production and upholstery, Kalikiliki compound remains a more extreme example of an urban squatter compound.

### *Survey methods*

A structured questionnaire was designed, tested, and administered to randomly selected households in the four sample sites. Table 3 below shows the composition of the samples in each site. The primary focus of the study was to use household survey methods to identify the various forms of assets to which people had access (including information on entitlements) and the various coping strategies that households adopted.

**Table 3: Sample sites and distribution**

<b>Sample sites</b>	<b>Sample</b>	<b>Per cent</b>
Petauke	46	24.1
Mfuwe	53	27.7
Chiawa	50	26.2
Mandevu/Kalikiliki	42	22.0
<b>Total</b>	191	100.0

The questionnaire data was complemented by focus group discussions, which were conducted in the four communities and by interviews with key informants. The data on institutions (Government, NGO, CBO, donors, etc.) were collected through a series of visits, and interviews with policy makers and staff of these organizations. To ensure the validity of the evidence from the focus group discussions, it was matched with information from the institutions' policy documents and programmes and with data from the household survey. The household survey data is analysed in section 3; and the institutions' data in section 4. The conclusions are given in section 5.

### **3. Analysis of household and community data**

#### **3.1 Description of households**

Households' access to various forms of capital resources is an important determinant of their vulnerability to shocks, whether resulting from fluctuations in the marketplace or from natural disasters. The severity of the impact of an economic crisis on household livelihoods in the study areas seemed to vary depending on the stock of assets and their resilience to external shocks. The ability of a household to accumulate assets seemed to depend on its access to resources, opportunities, level of education and on the dynamics of the groups and institutions they belonged to.

##### *Size*

The size of the average household was 5.57 people, with the largest comprising 15 people. Most households were headed by men. The average age of the household head was 36 years; the oldest head was 94.

##### *Residence*

87.5 per cent of households had permanent residences, while the rest had migrated from within or outside the province in the six months preceding the survey. About 21 per cent occupied rented accommodation, while the rest owned the houses they lived in, or lived in houses owned by relatives or friends. Those renting accommodation were predominately urban households.

##### *Water*

Access to tap water remained confined to urban and peri-urban areas, with rural households completely deprived of safe water supply. Households with access to tap water either through private connections or communal water facilities paid on average ZK1,230, with a maximum monthly water charge of ZK25,000 (US\$1.00 = ZK3,150). In 55 per cent of households at least one member of the household fell sick every month. Some of the common opportunistic infections might be caused by lack of safe drinking water and other sanitation services.

##### *Fuel*

Fuelwood (charcoal and firewood) was the major source of household energy for cooking in both urban and rural areas. Approximately 90 per cent of surveyed households use fuelwood for cooking and heating, and only 10 per cent have access to electricity. In rural households 90 per cent use firewood for cooking and heating and only 10 per cent use charcoal, mostly own-produced. In terms of energy for lighting, kerosene and candle account for 38 per cent and 35 per cent respectively, and electricity and open fire each account for 11 per cent.

#### **3.2 Informal sector employment in the surveyed communities**

The major source (68 per cent) of employment and income came from self-employment in the informal sector. Informal sector employment accounted for 8 per cent, unpaid family workers 9.7 per cent and formal employment 8.5 per cent and combined self-employment and formal employment 10 per cent of the sample. A few (3 per cent) households

engaged in one or more informal sector activities while searching for formal employment opportunities (the “frictionally unemployed”). These are mainly engaged in farming, agricultural marketing and petty trading. The indigent (too old or physically impaired to work) depend on handouts from family members and donations from charity.

**Table 4: Household description by type of employment**

Type of employment	Frequency
Self-employed	66.8
Informally employed	8.0
Formally employed	8.5
Self-employed (and others)	7.4
Unpaid family worker	9.7
<b>Total</b>	<b>100</b>

***Occupations and rural/urban***

Petauke (peri-urban) and Mandevu (urban) communities had the highest proportions of self-employed households and Mfuwe and Chiawa had the lowest. Mandevu also had the highest proportion of individuals employed in the informal sector (14.6 per cent) and the lowest number of individuals engaged in both formal and informal sector livelihood activities (2.4 per cent).

Chiawa had the highest number (33.2 per cent) of households combining self-employment, formal and informal employment. Most of these were women working as seasonal workers on commercial farms and tourist lodges in the area. This type of work has emerged as an important source of livelihood for the villagers, especially in times of floods or droughts.

Petauke had the largest proportion (66.7 per cent) engaged in trading, mainly agricultural marketing and sale of second-hand clothes and household goods. Manufacturing activity was largely confined to metal fabrication (household ware) and agricultural tools.

***Occupations and gender***

In contrast, Mandevu had the largest number of relatively better-established manufacturing activities, including furniture making, metal fabrication and welding, tailoring and retailing. The first two, which are highly valued activities, are “male” activities, while tailoring, restaurants and street vending are “female” activities (the restaurant and food sector is most popular as income-generating activities for women in Lusaka). Although niche tailoring is highly profitable, most women fail to use the opportunities such as breaking into the export market. Lack of marketing information and support services are the principal constraints faced by these micro enterprises.

**Table 5: Type of employment by community**

	Petauke	Chiawa	Mfuwe	Mandevu
Self-employed	84.4	56	51.9	68.3
Informally employed	4.4	4	7.7	14.6
Formally employed	6.6	4	7.7	4.8
Self-employed and formal job	4.4	14	7.7	2.4
Self and informally employed	12	19.2	4.9	0
Unpaid family worker	1.2	10	5.8	4.9
<b>Total</b>	<b>100</b>	<b>100</b>	<b>100</b>	<b>100</b>

**Table 6: Types of household economic activities by community**

	Petauke	Mandevu	Mfuwe	Chiawa
Trading	66.7	26.8	25	28.2
Agriculture	8.7	2.4	26.9	65.8
Manufacturing	6.9	56.2	15.4	6
Trading plus other activities	4.4	9	32.7	0
Agriculture and manufacturing	13.3	5.6	0	0
<b>Total</b>	<b>100</b>	<b>100</b>	<b>100</b>	<b>100</b>

**Table 7: Type of employment by gender and age**

	Self- employment	Informal employment	Formal employment	Self and *informal employment	Informal** and formal	Unpaid family worker	Any*** other	Total
	a	b	c	a + b = d	c + d = e		191	
Male	73.1	6.3	8.1	1.8	2.7	3.6	4.4	100
Female	46.6	9.1	7.8	1.3	7.8	16.9	10.3	100
<b>Age category</b>								
Youth	65.6	6.3	7.8	0	1.6	9.4	9.3	100
Non-youth #	60.3	8.1	8.0	2.4	0	9.7	11.3	100

*Source:* Author's own calculation based on household survey data.

*Notes:* \* Self-employed (informal sector) and wage informal sector employment;

\*\*self-employed (informal sector) and wage (formal sector) employment;

\*\*\*Any other employment combinations;

#Respondents aged 30 years and above.

Although men and women are evenly distributed across the different types of employment, women tend to concentrate in those activities that combine well with their culturally defined reproductive roles. This constraint does not apply to men. There are also more female unpaid family workers (16.9 per cent) than males (3.6 per cent). These

differences account for some of the income disparities between female and male-headed households.

### **3.3 Household capital and sustainable livelihoods**

#### ***3.3.1 Economic capital***

Household assets can be used as a proxy measure of the economy of the informal sector in Zambia. Assuming that the household stock of liquid assets is negligible, the stock of other assets coupled with the opportunity cost of labour can be used as indicators of the profitability of particular informal sector activities that people were undertaking in the four survey areas.

There are three categories of economic assets:

- Fixed assets, mainly vehicles and buildings (residential and non-residential). The stock of operating capital assets indicates, to some extent, the size of an enterprise and its capital strength.
- Durable goods such as equipment and tools that a household employs in pursuing informal sector activities. These vary according to the type of income-earning activities and between rural and urban households.
- General household goods, including furniture, electrical appliances, etc.

If the type and stock of assets reflect the nature of the informal economy, the following conclusions can be drawn:

- urban poor households are mainly engaged in non-agricultural activities such as furniture-making, weaving, tailoring, and retailing (including street vending);
- urban households accumulate more assets than those in rural areas;
- men have more assets than women;
- the assets are mainly in the form of buildings, furniture, various types of equipment for wood processing, welding and metal fabrication, weaving and tailoring and a wide range of durable household goods;
- people in Mandevu and Petauke had the largest inventory of manufacturing and agricultural assets respectively, and these are more profitably employed because they produce high value goods and services to formal sector firms and directly to final consumers;
- peri-urban households have more agricultural assets than urban and rural households. This is because urban residents are predominately engaged in small-scale non-agriculture enterprises while those in peri-urban and rural areas engage in both agricultural and non-agricultural activities. [This split correlates with the levels of education and with gender and to some extent explains gender, and rural/urban income disparities.]

Differences in livelihood activities can be explained using human capital theory. Comparing the opportunity costs of labour across the locations and across gender shows that rural communities had the lowest levels of education and opportunity costs of labour, and their choice of livelihood activities was to some extent dictated by the stock of traditionally acquired skills – mainly in subsistence agriculture, fishing and exploitation of other natural resources.

The pattern was different for those in Petauke and Mandevu. Approximately 72.3 per cent of the households had an average asset holding of less than ZK1,500,000 (US\$480). The estimated implicit wage per month for 70.7 per cent of the respondents was approximately ZK200,000. This estimate indicates that these households would be willing to discontinue their current informal sector activities in favour of a formal sector job paying ZK250, 000. Although this figure is almost equivalent to the average wage for the sector (excluding allowances), the implicit wage rate is much lower for individuals with low levels of schooling, and generally for those living in Chiawa and Mfuwe.

### 3.3.2 Financial capital

Business financing is one of the major constraints facing informal sector enterprises. Most respondents ranked lack of credit highest of the factors constraining the sector. No entrepreneur received any formal credit for start-up capital or business expansion in the previous five years. Over 70 per cent of business capital was financed from retained earnings, personal savings or borrowing from friends and family; 4 per cent was from informal lending methods

(*Kaloba* or *Chilimba*)<sup>19</sup>, and the rest from NGOs and local associations. Some agricultural households did receive credits in the form of input loans from agricultural marketing agents or merchants. There was virtually no credit available from banks, and very little from local associations and micro-finance institutions. There was no significant variation in access to various sources of capital by rural, urban, gender and age group in the four communities covered by the study.

**Table 8: Sources of capital for rural and urban informal sector entrepreneurs**

Sources of finance	Urban	Peri-urban	Rural
<i>Personal savings</i>	39	51.2	35.2
Family	12.2	11.6	19.8
Friends	2.4	2.3	1.1
Savings and friends	12	14	8.8
Personal and family	4.8	4.7	12.2
<b>Sub-total (retained earnings)</b>	<b>70.4</b>	<b>83.8</b>	<b>77.1</b>
NGO	2.4	7	nil
Local association	4.9	2.3	2.2
Bank	nil	nil	nil
<b>Sub-total micro credit</b>	<b>7.3</b>	<b>9.3</b>	<b>2.2</b>
Not applicable	22.3	7.9	19.7
<b>Total</b>	<b>100</b>	<b>100</b>	<b>100</b>

<sup>19</sup> These two traditional informal credit arrangements do help overcome credit constraints but to a limited extent. *Kaloba* provides short-term credit for transactory purposes at interest rates higher than commercial banks'. *Chilimba* functions like a co-operative, all of whose members contribute an agreed amount of money every so often (normally once a month), and the total sum is then allocated to one member on a rotation basis. The effectiveness of these arrangements is based on the smallness of the groupings leading to low levels of uncertainty and low transaction costs. Recruitment of new members to the scheme stops when the cost of information gathering and enforcement involved in admitting an additional member to the group is just equal to the benefits the last member brings to the group at the margin. Although such informal credit networks have a positive impact on people's livelihoods, their contribution to micro enterprise development is very limited.

There are various ways in which access to formal credit can be made more effective:

1. At the macro- level, improve domestic savings mobilization and so increase the stock and flow of credit to the private sector including micro enterprises in the formal and informal sectors. This will mean that public sector borrowing (at present 68 per cent of total formal credit – Mulenga, 2000), must be significantly reduced.
2. Define property rights as tradable (and create efficient markets) for “dead capital” assets. The poor (especially urban and peri-urban) possess most of their quite substantial assets in real estate (including residential and non-residential buildings). But they lack formal property rights to them, and hence cannot use them as collateral for loans without which they cannot start businesses.
3. Improve the operations of existing micro finance institutions and establish specialized micro credit institutions tailored to the credit needs of the poor (rural and urban) and to the special needs of women and young people. For this to happen, access to credit and other support services from government will need to be de-politicized.
4. Introduce voluntary contribution programmes for the provision of local public goods (such as communal granaries), as well as for credit mobilization (merry-go-round schemes and other informal credit initiatives). There is evidence that these are effective in alleviating short-term credit constraints on the poor. Investment in social and human capital formation would contribute to the effectiveness of these schemes.
5. Improve the packaging and dissemination of information on access to credit for the poor by using existing grassroots organizations, NGOs and local radio stations, where these exist.

### **3.3.3 Social capital**

#### ***Importance***

Social capital can enhance the development of small-scale enterprises in the informal sector by reducing uncertainty and lack of information. Through networks, people operating in the informal sector can obtain, quite cheaply, information about input and output markets, how markets operate and how they can use this information to comply with market standards (or technology requirements) and so improve their competitiveness and productivity. Increased access to information on input markets and technological improvements, especially for farmers, might reduce procurement costs or improve product quality.

#### ***Forms of social capital***

1. *Bonding social capital* comprises the maintenance of strong ties between immediate family members, neighbours, friends and business associates who share similar demographic characteristics.
2. *Bridging social capital* comprises the maintenance of ties among people with similar economic or political influence but from different ethnic, demographic and occupational backgrounds. [They are weaker than the core or bonding ties.]
3. *Linking social capital* comprises the establishment and maintenance of ties and linkages between poor people and those in positions of authority and influence such as politicians, bank officials, agricultural extension officers.

### Bonding capital

In the four communities studied, kinship, familiarity and trust seemed to exist, although in varying degrees as between the rural and the urban communities.

### Bridging capital

In addition, the prevalence of high levels of income inequality itself makes it extremely difficult for the poor to gain access to bridging and linking social capital since access to such networks is based on income, status or occupation. The limited nature of access to linking and bridging social capital diminishes the prospects for traditional enterprises in the informal sector to access the resources and opportunities necessary to modernize.

### Linking capital

Despite linking capital's importance (to gain access to the commercial, legal and educational resources necessary to enhance their livelihood activities), it was rarely established. The very nature of the political system and representation of the electorate by the elected leaders, and the unsatisfactory governance record, in fact erodes avenues for establishing such links.

### ***Restrictions caused by lack of social capital***

As a result, households in the informal sector, especially those in trading or retailing, tend to be in the same line of business, face the same constraints and maintain less diverse networks. For instance, when households were asked how they obtained business information, 82 per cent indicated that they obtained business information from relatives and friends, or that the ideas were purely theirs. Similarly, while 25 per cent of the respondents indicated that collateral security was important for accessing credit, the rest (75 per cent) felt that one should either be a friend, relative, and/or member of community or an association to qualify for credit. Inadequate information leading to high transaction costs and risk perhaps explains why most household livelihood activities are less diverse, more rudimentary and vulnerable to external factors.

### ***Need for information***

With regard to uncertainty, social capital through networks can be useful depending on the source of uncertainty. If the uncertainty is about such things as trading partners or government policy it is useful. If it is about exogenous factors such as natural calamities the networks will usually not be of any use. The fact that markets and supporting institutions are weak and relatively inaccessible to poor households implies that transaction costs are high and that improved information flow, through networks, might reduce costs and lead to higher productivity and employment.

For instance, households which belonged to the Women Entrepreneurs' Development Association (WEDAZ), Petauke Small- and Medium-Scale Enterprise Development Association and Mandevu Market Cooperative Association had more information on markets and business opportunities than those in Chiawa, Mfuwe and Kalikiliki where such

associations were either absent or ineffective. Moreover, more women than men obtain information about markets and prices from local associations and NGOs.

In general members of these associations had more diversified income-generating activities and were better shielded against the effects of the economic crises or external shocks than those who were not members. However, although networks might not reduce uncertainty arising from exogenous factors such as bad weather, they may provide informal means for coping with the crises (e.g. receiving support from members of the association and from friends and relatives). Or they might start a process that leads to some kind of group insurance scheme against such risks in the future.

**Perceptions of the future**

The questions are how much “uncertainty” are we talking about? How deep is the economic crisis due to the past two decades of economic reform? How uncertain are informal sector operators (ISOs), and particularly the poor, and what are the effects of this uncertainty on their livelihoods? Information on the perception of the economic and business environment and future expectations is summarized in Table 9 below.

The economic environment has clearly worsened during the past ten years as a result of economic reforms, and households anticipate the economic environment to worsen even further in the next five years though these perceptions vary between rural and urban households.

The perceptions of residents of Petauke and Mandevu indicate that economic reforms have adversely affected their livelihoods and that they expect further deterioration in their businesses and economic environment in future. The perceptions of people in Chiawa and Mfuwe, on the other hand, indicate no significant difference in the economic environment before and after the reforms, but still expect the situation to worsen in future.

**Table 9: Households’ perception of economic reform and business environment**

Communities	Ten years ago	Five years ago	Next five years
	mean	mean	mean
Petauke	2.16 (1.09)	2.33 (1.07)	2.53 (1.70)
Mandevu	1.60 (1.46)	1.71 (1.32)	2.33 (1.78)
Mfuwe	1.24 (1.70)	1.52 (1.52)	1.74 (1.51)
Chiawa	1.90 (1.71)	2.37 (1.13)	2.59 (1.40)

*Note:* Figures in brackets are standard deviations.  
 Responses coded 1 =better, 2=same 3=worse. A mean value close to 1 implies that the business environment is perceived to have improved and likewise for the other two.

One might loosely conclude that economic reforms have had a negative impact on informal sector livelihoods at least in the urban communities and that improvements will only

occur with deliberate policy interventions, aimed at improving access to business information, reducing uncertainty and improving access to various forms of capital resources. Increasing information flow about markets and technologies is likely to have a positive impact on people's livelihoods and welfare, while reducing uncertainty may improve the productivity of micro enterprises and the overall performance of the informal sector. This will only be possible to the extent that poor households improve their stock of social capital and thereby gain more access to resources both in the formal and informal sector.

### ***3.3.4 Natural capital***

#### ***Natural resource capital***

The common form of natural resource capital in the study area was customary land – whether used for agriculture, for sanctuary, for forestry and wildlife resources, or for customary and traditional practices. Such land is owned by the clan and is accessible only to members of a particular kinship or rural community collectively. The chief has rights to enforce the rules of land access and transfer of land-use rights. Because land-use rights are loosely defined and less exclusive, legal title to land is practically non-existent and as a result rural households cannot use such land as collateral security. Traditionally, a woman could not own land except in relation to her husband, which implies that when the husband dies, land is usually taken over by the deceased's family. This is gradually going out of practice in rural communities.

Natural resources play an important role in the livelihoods and coping strategies of rural households. Forests, which provide habitat to wildlife, act also as an “ice box” and “drug store” for rural communities. At the same time agricultural livelihoods, particularly a healthy rural livestock sector, depends on grasses and fodder trees, all of which are found in the forest. In addition, natural resource utilization was cited as one of the major coping strategies for people in Chiawa, especially in times of drought or floods. Wildlife resources and tourism developments in Mfuwe and Chiawa (through the South Luangwa Administrative and Management Unit (SLAMU) and Administrative and Management Design) have also contributed significantly to the livelihoods of the people mainly by helping to finance public goods such as health and education.

#### ***Dead capital***

As noted by Hernando De Soto (2001), the poor possess much of the land and businesses in developing countries but lack formal property rights or title over them. Most of the capital resources owned by the poor cannot be validated easily, so their transactions cannot be secured legally in efficiently operated markets. The evidence indicates that there is a substantial stock of dead capital in the four communities. Although dead capital exists in various forms (natural capital, real estate, etc.), the study focused on giving a valuation to the real estate (mainly residential and non-residential assets) owned by the households. Table 10 below shows minimum average stock of dead capital per household in the four communities.

**Table 10: Average value of assets per household by area/town (Zambian Kwacha ZK)**

Type of assets	Petauke	Mfuwe#	Chiawa	Mandevu*
Household assets (i.e. equipment)	820,071	762,250	220,698	974,949
Household goods	912,121	539,797	502,102	905,532
<b>Dead capital*</b>				
Residential and non- residential	3,998,556	330,394	187,735	5,232,800
Percentage of total	70%	20%	21%	74%
Total average	5,730,747	1,632,441	910,535	7,113,281

Notes: Dead capital: does not include the value of farmland.

\* Mandevu includes Kalikiliki;

# Mfuwe includes Mambwe.

US\$1 = ZK3150 (at time of survey).

Real estate constitutes a large proportion of the total household assets among urban and peri-urban households. Mandevu and Petauke had the largest proportion of assets in real estate (74 per cent and 70 per cent respectively), and Mfuwe and Chiawa had the smallest each accounting for approximately 20 per cent. Most of these assets do not have defined title deeds and so cannot be used as security for transactions in formal markets. The question here is not whether it is important to assign secure property rights. It is. Nor whether the poor need property rights. They do. Rather the question is how to assign formal property rights and establish efficient markets for these assets to be traded?

The fact is that the institutions responsible for defining and enforcing property rights are bogged down by bureaucratic procedures and rent-seeking practices. However, appropriate accessible property right regimes could be established. The Government recently embarked on a housing empowerment programme through which government and council houses (especially those in high- and medium-density areas) have been sold to sitting tenants at low prices. The Government could similarly issue title deeds to real estate owned by the poor in rural and squatter compounds.

### **3.3.5 Human capital**

Levels of education and skill development for most households working in the informal sector are low: 50 per cent of respondents had primary or no formal education, 40 per cent had secondary education, and only 4 per cent tertiary education. Lack of technical and entrepreneurship skills ranks fourth among the major factors that inhibit the growth and diversification of informal sector enterprises. Approximately half the respondents in urban and peri-urban compounds showed interest in skill training mainly in fields related to their current livelihood activities. The most demanded skills were artisan/craft-related skills, followed by entrepreneurship training in business management, marketing and accounting.

Less than a quarter had intentions of pursuing skill training for the purpose of getting a formal job. This may indicate that training interventions not tailored towards the current activities of the informal sector operators will be less effective in contributing to the growth of micro enterprises in the informal sector. While human capital is extremely low, the motivation

to develop the skills latent in their current livelihood skill base could be encouraged with technical and business skill programmes.

**3.4 Household coping strategies**

In the face of household food insecurity and anticipated and unanticipated shocks, households adopted a number of coping strategies:

1. selling off household assets;
2. receiving assistance from friends;
3. doing piece-work (on farms in rural areas and in other activities in urban areas);
4. reducing the number and quality of meals;
5. engaging in petty trading, and
6. borrowing informally.

Generally in times of crisis, households drew on their stock of household economic and social assets. As noted in Table 10 above, communities (like Chiawa) that are susceptible to disasters such as floods or droughts had very low inventories of durable household assets, compared to the other three communities where poverty and vulnerability were less severe. In the same vein, rural households responded to the crisis by changing their meal patterns to rely on wild foods such as tubers, berries, honey, wildlife and fishery resources.

Table 11 below suggests that while rural households received support from relatives rather than from friends, urban and peri-urban households received most of the support from friends. This may suggest that networks based on kinship are strong in rural communities, and support based on reciprocity and exchanges are strong in urban areas. In addition, contractions in urban formal sector employment and income led to a substantial decline in remittances from urban to rural households. Only 15 per cent of the households surveyed received remittances from relatives in times of crisis.

**Table 11: Kinship and trust and household coping strategies**

<b>Communities</b>	<b>Mean</b>	<b>Standard deviation</b>
Petauke	1.86	0.74
Mandevu	1.91	0.92
Chiawa	1.53	0.83
Mfuwe	1.57	0.85

Note: Figures in brackets and standards deviations Codes 1 = support from friends and relatives; 2 = friends only. Where the mean value is close to 2 it implies more support from friends and likewise for the other two.

Food-for-work and relief food programmes are used as short-term coping strategies in both urban and rural areas. Food-for-work means that people affected by economic crisis do some community work (e.g. road rehabilitation) in exchange for food. Food relief, however, is intended for victims of natural disasters. More people in Chiawa receive food relief from Government and NGOs than in the other areas. This has implications for how people respond to these crises and how they plan against future shocks. Despite frequent natural disasters in Chiawa, households had not devised measures to deal with future shocks. Conversely, Petauke residents were more innovative and interested in strengthening local associations and diversifying networks. For instance, the Petauke Small- and Medium-Scale Entrepreneurs

Associations had more than eight CBO affiliates, including the WEDAZ and Petauke Farmers' Union.

### **3.5 Institutional support in the surveyed communities**

This section analyses institutional support in the four communities surveyed. For clarity, we have clustered the four communities surveyed into three categories: rural (Chiawa and Mfuwe), urban and peri-urban (Mandevu and Petauke, respectively).

#### ***3.5.1 Peri-urban community: Petauke District***

The Petauke Association of Small- and Medium-Scale Entrepreneurs (PASME) is a legally established association with its own secretariat. It comprises a diverse membership, including among others the Petauke Women Entrepreneurs' Development Association, the Petauke Farmers' Union and individual entrepreneurs. The association does not provide finance but disseminates to members and to the general public information on markets, prices, technology, and business opportunities. Lack of finance and stiff competition from the Asian traders in the districts were the major constraints cited.

They also indicated that local political institutions (specifically the Petauke local council) were inefficient, rent-seeking and favoured Asian entrepreneurs over locals. The study found that Asian entrepreneurs had strong ethnic-based networks and associations, which provided interest-free credit to their members. Most business enterprises run by Asians in the district are registered, while most of those owned by local entrepreneurs are not.

Most members of PASME are engaged in trading and retailing, hotel and restaurants, and in agricultural production and food processing. The Petauke Womens Entrepreneurs' Development Association (WEDAZ) drew significant support from the WEDAZ headquarters in Lusaka. The support included credit, skill and entrepreneurship training including the ILO's Start and Improve Your Business (SIYB), and material support in the form of equipment and capital inputs. Petauke WEDAZ activities are mainly confined to agriculture and livestock production and the processing of agricultural products. The main aim has been to promote food security among women and children as well as to reduce the existing gender imbalances in the community. The major agricultural processing projects included the extraction of vegetable cooking oil from sunflower and groundnuts and small-scale maize meal (maize flour) production.

PAMO Youth Development Trust is a community-based organization, funded by MS-Zambia (a Danish NGO), engaged in entrepreneurship and youth skills training in the district. It offers technical skills training in carpentry, tailoring and bricklaying, and entrepreneurship training in catering. Most of its graduates establish their own businesses while others gain formal employment. The majority of young women with catering skills get employed in tourist lodges in the area. A few courageous ones have successfully established their own restaurants. This youth project has undoubtedly contributed to youth enterprise development and livelihoods in the district, especially for marginalized young women. In addition, PAMO Youth Development Trust produced wood products and garments, and undertook building contracts to sustain its operations. It could not be verified, but in order to ensure sustainable timber production it is claimed that for every tree the youth project cuts down for its carpentry activities, one or two trees are planted.

### 3.5.2 Rural communities: Mfuwe and Chiawa

Three major micro-enterprise organizations were surveyed in Mfuwe:

- The Mambwe Women Entrepreneurs' Development Association (WEDAZ) is run like WEDAZ, in Patauke.
- The Mambwe Youth Project activities encompass poultry and pork production, and the community-based projects implemented under the South Luangwa Authority Management in Mambwe focuses on agricultural and livestock (poultry) production, extraction of vegetable oil and maize milling.
- SLAMU is a community-based wildlife management initiative intended to promote long-term wildlife management. Revenue from wildlife activities such as game cropping, professional trophy hunting licenses and eco-tourism activities in the area are shared between the wildlife authority and the community through SLAMU. The revenue collected is allocated to the VAG for community projects. Most of these have focused on rehabilitation and upgrading of social infrastructure such as clinics and schools in the area.

Despite the programme being sustained by the financial incentives that the community receives, the whole programme is unsustainable and is unlikely to contribute to long-term wildlife management in the area. This is because the utilization of wildlife revenue focuses on non-natural resource-based investments at the expense of strengthening local sustainable wildlife-management.<sup>20</sup>

The researcher suggests rather that wildlife revenue-based investments should be directed to those projects directly linked to sustainable wildlife management. These could include community-based self-catering lodges, the processing and marketing of value-added wildlife products (including trophies, curios, tanneries and leather crafts) and other socially, economically and environmentally sustainable options.

Therefore, although the SLAMU initiative provides opportunities for financing micro-enterprise development in the area, the institutional framework for the mobilization, distribution and management of these funds is weak and fails to identify suitable wildlife-based micro projects to finance. This is partly due to lack of capacity by the VAG to identify and undertake sustainable wildlife-based enterprises and projects.

In Chiawa, the primary source of people's livelihood is subsistence agriculture. Non-agricultural employment is very rare. There are no cooperative associations or NGOs working in the area. Petty trading is highly constrained by the lack of transport facilities and only the chieftainess runs a retail shop in the area. Institutional support comes from traditional leaders and from the extended family.

Chiawa is within the Lower Zambezi Game Management Area (GMA) and, as is the case with Mfuwe, it shares in the wildlife revenues generated through the Administrative and Management Design programme (ADMADDE). This programme is the equivalent of the SLAMU community-based wildlife management programme in Mfuwe, and has the same focus in terms of investment projects (i.e. health and education) and so the same problems

---

<sup>20</sup> Investing in local public goods improves the livelihoods of the people in these communities, but the fact is that these benefits are non-exclusive, i.e., those who comply with the requirements of sustainability, and those who do not (e.g. poachers), benefit equally. There is no incentive for the latter to reduce poaching.

apply. A better approach would be to undertake community education about the importance of wildlife conservation and how wildlife revenues should be invested in order to promote micro enterprise development without at the same time compromising sustainable wildlife management.

### ***3.5.3 Urban communities: Mandevu and Kalikiliki***

There are different institutional support systems that residents of Mandevu draw on in the pursuit of livelihoods. They can be grouped into three categories depending on whether they target micro-enterprise development, poverty reduction (by supporting income generating activities) or temporary food relief through food-for-work programmes.

The most successful enterprises in these communities are those supported by the informal sector pilot project of the United Nations Economic Commission for Africa (UNECA). This provides an integrated package of support services to members of the Mandevu Cooperative Market (MCM). Through its membership contributions, MCM has a small fund (like a social security fund) to help members meet funeral expenses.

The major activities of MCM include furniture-making, tailoring and garment production, trading and retailing, and running restaurants. The furniture project is successful, producing quality products for sale to residents and to retail shops in Lusaka.

In addition to the support from UNECA, Care International, (through the Care-Prospect and Care-Purse projects) provides support to individuals' income-generating activities through the Compound Area-Based Organization.

This support comprises three inter-related components: institution building, infrastructure improvement and micro finance. The latter is a one-year pilot phase of micro finance interventions implemented on the basis of a group managed revolving loan system. This supports the other two components of institutional and infrastructure development at community level.

The micro-finance components provide three distinct but inter-related services/products to the target groups:

- savings in three forms: fixed savings, voluntary savings and Chilimba savings;
- loans in the form of group loans (referred to as prospect group loans); and
- training and institutional development.

Despite providing these services, most of the participants were still unable to diversify their income-generating activities. Over 70 per cent of the target population had their livelihood activities confined to petty trading (street vending). Apart from institutions mentioned above, several NGOs, including the Catholic Church, are present in the community and provide short-term support to vulnerable members of society including children on the streets.

The high cost of transport and insufficient demand are some of the problems affecting businesses run by members of the Mandevu Market Co-operative. Support from political, legal and law enforcement agencies was said to be unsatisfactory and lacked transparency. Households in Kalikiliki compound cited lack of credit, land for farming and inadequate

domestic water supply as some of the problems the community faces. There were few local associations in Kalikiliki compound. However, households do belong to social groupings such as church organizations located in nearby compounds. Similarly, there are fewer NGO projects in Kalikiliki than in Mandevu and Petauke.

In summary, focus group discussions with entrepreneurs and institutions revealed that institutional support is important for the development of informal sector enterprises in these communities. Activities supported by institutions like the UNECA informal sector project and WEDAZ were more successful than those that did not receive any institutional support. Similarly, lack of technical assistance to VAG or ADMADE village committees on how wildlife revenues could be invested in micro enterprises to produce better results for the community and the environment accounted for the limited impact of the community-based wildlife management projects on livelihood sustainability of the residents of Mfitwe and Chiawa. The main findings are that:

- Institutional support (from NGO, CBOs, Government) was important especially in promoting social capital formation and sustainable livelihoods of the residents of these communities;
- Human capital is critical for establishing and sustaining local associations or social networks in these communities;
- Better governance in implementing government programmes and promoting gender balance will be necessary for reducing poverty and improving quality of life for the poor in these four communities;
- Lastly, the community-based wildlife management system does not represent genuine devolution of ownership and rights to local communities and needs to be re-evaluated and linked to sustainable livelihood activities of the local people. In this regard, Government and rural development institutions will need to invest more resources in helping these communities establish and maintain local associations. These in turn can be used to link external institutions (Government and NGOs) to these in the communities.

**Table 12: Some of the major institutions in the four communities surveyed**

Community/area	Institutions present	Beneficiaries	Type of support/service
Petauke District	Women Entrepreneurs' Development Association	Petauke Women Development Association	Provides credit facilities, technical support (equipment), training and information on business opportunities and markets, etc.
	Petauke District Cooperative/Petauke Farmers Union	Local farmers (both subsistent, emergent and commercial farmers)	Input loans mainly for fertilizer, seeds and packaging materials. Also information on markets prices of inputs and outputs, and extension services.
	Economic Expansion in outlying areas	Local community in rural areas	Infrastructure development; mainly upgrading of roads, bridges, etc.
	Clark Cotton Ltd.	Cotton farmers	Out-grower scheme providing input loans to cotton farmers.
	MS Zambia	PAMO Youth Development Trust (mainly youth)	Youth skill training in carpentry, tailoring, bricklaying, catering and business management.
	Other organizations (NGOs)		Mainly in poverty alleviation programmes, provide social, religious and economic support to disadvantaged members of the community.
	World Vision Islamic Association	- Local community - Children	
	Petauke Medium and Small-scale Entrepreneurs' Association	Small and Medium-scale entrepreneurs in Petauke	- Information gathering and dissemination - Networking - Forum for soliciting support, etc.
	Financial institutions and credit institutions	Local communities	- Banking services only, but no credit facilities to local entrepreneurs
	-Barclays Bank and Zambia National Commercial Bank - National Pensions Society		- Social security available for formal sector employees, but nothing for those informally employed
	Social service institutions (health and education); church organisations.	Local community	- Social services accessible despite frequent drug shortages

<b>Community/area</b>	<b>Institutions present</b>	<b>Beneficiaries</b>	<b>Type of support/service</b>
	Political institutions; law enforcement.	Local community	- Political institutions and local council are less responsive to the needs of local businessmen - Less transparent and rent-seeking
Mambwe and Mfuwe	Women Entrepreneurs' Development Association	Mambwe Women Development Association	Provides credit facilities, technical support (equipment), training and information on business opportunities and markets, etc.
	South Luangwa Administrative and Management Unit	Local communities divided in Village Administrative Groups (VAG)	Part of revenues from wildlife (game cropping licenses, trophies hunting, etc.) is allocated to the SLAMU which is a community-based wildlife management project. Funds used to finance community projects mainly in social service sectors and infrastructure.
Petauke	Political institutions, law enforcement, social service institutions (health and education)	Local community	- People rely more on the traditional rulers and judicial system than on the modern political system and institutions - Social sector services accessible — despite drug shortages
Chiawa	Administrative and Management Design (ADMADE)	Local communities	- Part of revenues from wildlife (game cropping licenses, trophies hunting, etc) in the area is allocated to the ADMADE unit in Chiawa, a community-based wildlife management project. Funds are used to finance community projects mainly schools and health (clinics) and food relief in times of drought. - Community self-catering lodge financed from ADMADE revenues.
	Traditional rulers	Local communities	Very strong traditional system of government which spearheads development projects, judicial and counselling services, etc.
Mandevu	UNECA informal sector pilot project	Mandevu Market Cooperative	- Training, group formation and technical assistance, linkages and information - Micro credit
	CARE-PROSPECTS (Care International project)	Local community	- Credit mobilization and provision - Infrastructure development - Training

<b>Community/area</b>	<b>Institutions present</b>	<b>Beneficiaries</b>	<b>Type of support/service</b>
	Catholic Church	Local community	Support to church members faced with hunger and poverty, street children and orphans-mainly poverty alleviation support.
	Financial institutions and credit institutions - Barclays Bank and Zambia National Commercial Bank	Unlimited	- Banking services
	Political institutions, law enforcement  (policy and courts)  Social service institutions (health and education)	Local community	- Political institutions and local council less responsive to the needs of local businessmen (less transparent and often rent-seeking) - Social sector services accessible despite frequent drug shortages.

## **4. Analysis of informal sector policies in Zambia**

Zambia has no coherent policy on the informal sector. What exists are pieces of legislation, policies and programmes attached to the key policies such as the Industrial, Commercial and Trade Policy, and the Technical Education, Vocational and Entrepreneurship Training Policy in the Ministry of Commerce Trade and Industry.

Given the growth in the proportion of informal sector employment in the country, the Government realized the need to coordinate some of the activities in the informal sector. The Vendors' Desk was thus established at State House, which subsequently spearheaded the drafting of the Draft National Vendors' Policy. This section discusses the existing policies and programmes available to the informal sector policies, including the draft National Vendors Policy.

### **4.1 Analysis of existing policies and programmes in the informal sector**

The major pieces of legislation referring to micro and small enterprises (and by implication the informal sector) include the Small Enterprise Development Act, the Industrial, Commercial and Trade Policy, and the Technical Education, Vocational and Entrepreneurship Training (TEVET) Policy. The Ministry of Labour and Social Security (MLSS), Ministry of Community Development and Social Service, and several NGOs run important programmes promoting self-employment and sustainable livelihoods for the poor. This section attempts to analyse current policies and programmes in the informal sector and provide a basis for analysis of the Draft National Vendors' Policy.

#### ***4.1.1 Industrial, commercial and trade policy***

The major focus of current industrial, commercial and trade policies of the Ministry of Commerce, Trade and Industry is on an open, competitive, dynamic and sustainable industrial sector. This is meant to operate within a private sector which is seen as the principal actor for industrial and commercial activities that can maximize productivity, industrial growth and employment generation.

The Government defines the major objectives and sector-specific measures for manufacturing, commerce and trade sectors. These policies recognize the informal sector as an emerging sector that can play an important role in industrial development and employment creation. The industrial, commercial and trade policies place strong emphasis on support measures aimed at "graduating" informal enterprises into "small" scale enterprises.

To assist this, the Ministry provides information to informal sector entrepreneurs on how they can register their enterprises. Once a firm is registered, it qualifies for general incentives contained in the Zambia Investment Act. Furthermore, through the Small Enterprise Development Act of 1996, the Small Enterprise Development Board (SEDB) can recommend a registered micro enterprise for tax exemption to the Zambia Revenue Authority. Registration qualifies micro enterprises for these tax rebates, but also brings them within government tax brackets.

Before registering, an entrepreneur has to assess whether the benefits of the incentives outweigh the loss of revenue due to taxation. This raises the issue of whether taxes and fees are a deterrent to registration and formalization of informal sector enterprises in Zambia. Taxation is seen as the second highest constraint inhibiting business expansion in the

manufacturing sector in Zambia (ILO/UNDP, 2000). Formalization will be difficult if taxes are perceived as high (and perhaps higher among micro enterprises), and registration is perceived as an instrument for broadening the national tax base and encouraging tax compliance among informal sector operators.

It is not sufficient just to simplify the registration and tax formalities but also to educate informal sector entrepreneurs about the support measures and incentives. The Government's objective in graduating informal sector micro enterprises into formal sector small-scale enterprises assumes that there is already an existing vibrant informal sector, which only requires "measures" to graduate them. This assumption ignores the constraints that informal sector enterprises face. Secondly, the policies do not spell out specific, let alone general measures that could facilitate this graduation. Thirdly, by treating all small-scale enterprises as not belonging to the informal sector, these policies create a false dichotomy that ignores the nature of informal enterprises in Zambia. In fact, 99.4 per cent of small enterprises in Zambia are "micro enterprises" operating in the informal sector (since all unregistered enterprises are treated as informal).<sup>21</sup>

#### ***4.1.2 Technical Education, Vocational and Entrepreneurship Training (TEVET) policy***

The TEVET policy was formulated in 1996 following the restructuring of Zambia's technical educational policy. The policy has economic and social objectives, which in general terms are aimed at increasing productivity in both formal and informal sectors. The economic objectives of the policy are:

- a) to improve the productivity of the labour force in both formal and informal sectors;
- b) to improve entrepreneurship and economic participation in both the formal and informal sectors, with the aim of increasing the efficiency of the national economy;
- c) to develop a society of people who are versatile, creative, employable, entrepreneurial and productive;
- d) to provide qualitative training in vocational skills relevant to the socio-economic development needs of Zambia;
- e) to promote a rational use of local resources in training and post training activities of entrepreneurs; and
- f) to promote the economic empowerment of women.

The social objectives of the TEVET policy are:

- a) To provide skills and opportunities to meet Zambia's needs of poverty alleviation, improved housing and health care;
- b) To instil a culture of preventive maintenance and stimulate the development of quality assurance;
- c) to provide access to training opportunities to all in the community;
- d) to inculcate a culture of entrepreneurship and self-reliance in Zambian society; and
- e) to ensure greater participation by women in national development.

The TEVET policy specifically targets the following groups as being in need of training: school leavers, employees in the formal sector, entrepreneurs in both formal and informal sectors, and the unemployed and underemployed (including employees, in the informal sector). The policy recognizes the importance of targeting women in its training

---

<sup>21</sup> See Chigunta, F. (forthcoming).

programmes, which are largely to be delivered through the current network of technical and vocational training centres.

There is little doubt that the objectives of the TEVET policy are important in the current environment in Zambia where more and more people are moving into the informal sector as a way of creating self-employment. More significantly, the TEVET policy, unlike both the SED Act and the Industrial, Commercial and Trade Policy, specifically targets both employers and employees in the informal sector as being most likely to benefit from the TEVET training programmes.

As noted earlier, economic reforms in Zambia did not only induce retrenchment of excess labour, but also changed the types of skill required in both the formal and the informal sector. This meant that those with skills that were no longer required could no longer find formal employment without undergoing fresh training. The increased scarcity of formal jobs among the skilled and an increasing number of school-leavers (including dropouts) meant that new opportunities for self-employment needed to be created. In addition, the introduction of cost-sharing in the Zambian education system implied that not every person could afford to pursue tertiary education and to acquire the necessary livelihood skills for self- or formal employment.

However, the most challenging problem is that most school-leavers, including those from colleges, lack sufficient skills to take-up self-employment in the informal sector. It is in this context that the Government established the Technical Education Vocational and Entrepreneurship Development Authority (TEVETA), which replaced the Department of Technical Education and Vocational Training (DTEVT), in the Ministry of Science and Technology (MST). The functions of TEVETA, among others were to introduce entrepreneurship and technical skills in the school and college curriculum, as well as to provide entrepreneurship and technical skills to informal sector operators, including youth, through short but well tailored training programmes.

The major weakness of the TEVET policy is that by focusing on the training of people in technical and vocational training centres, it will fail to address the training needs of the many out-of-school youth in Zambia and other informal sector operators. Since youth unemployment is as severe as for other age groups, TEVET policy will need to focus part of its resources on providing training opportunities for young people.

#### ***4.1.3 Ministry of Community Development and Social Welfare (MCDSW)***

Interviews held with senior government officials indicate that the Ministry of Community Development and Social Welfare regards the informal sector as a springboard for employment creation and poverty reduction in Zambia. In line with this recognition and as reflected in its 1998 National Poverty Reduction Strategic Framework, the MCDSW has in the past few years implemented programmes to support the development of the informal sector in a bid to promote community development and social welfare for the poor and vulnerable.

Some programmes include material support through the hammer-mills project to organised groups in a number of communities. In addition, the MCDSW provides entrepreneurship and skill training to local communities, and has recently embarked on

rehabilitation of community training centres to provide entrepreneurship and skills training to informal sector operators including young people.

#### ***4.1.4 Ministry of Labour and Social Security (MLSS)***

The major focus of the Ministry of Labour and Social Security (MLSS) has not diverted from its traditional role of dealing with employment and labour issues in the formal sector. However, with declining formal sector employment and the phenomenal growth of informal sector employment during the last decade, the MLSS will have to expand its informal sector role. The large-scale retrenchment that accompanied economic adjustment reforms in the last decade compelled the Government through the MLSS to draw up a programme to retrain those retrenched in business management, technical skills and general literacy that would enable them to engage in sustainable livelihood activities in the informal sector. The National Social Safety Nets (NSSN) programme was set up within the MLSS and implementing it became the Ministry's principal role in the informal sector.

Apart from the NSSN programmes, the MLSS's interventions in the informal sector are limited to the provision of information on existing labour rights, conditions of service and occupational safety standards, but there are no consistent attempts to implement them. However, once the new national employment policy is approved it will expand the MLSS's role in the informal sector. Some of the measures proposed in this policy are likely to have a negative impact on the majority of micro enterprises in the informal sector. Most for example, do not comply with the Minimum Wage Act, and probably violate hygienic, safety and quality standards. Lack of adequate resources by micro enterprises will not be a sufficient reason for failing to comply with these requirements.

At present the Ministry of Labour and Social Security does not have any specific programmes for young people, other than the codes on child labour advised by the ILO. There are difficulties in these codes, for instance, separating "child labour" from work that children traditionally do within their cultural framework to supplement household income and welfare. Nonetheless, the Ministry does work to curb intolerable forms of child labour. To do so it needs to develop more comprehensive programmes that reflect current employment issues in the informal sector, and are more tailored to employment creation, while still monitoring labour standards that are relevant to the sector.

## **4.2 Community-based organizations in the informal sector**

The number of NGOs working with informal sector entrepreneurs has increased tremendously since 1990. This has partly been in response to the democratization in political, social and economic spheres, as well as to the escalating poverty in Zambia. Since most activities of poor people are in the informal sector, NGO activities aimed at improving people's livelihoods have been concentrated in the provision of financial and material support, credit guarantees and technical and entrepreneurship skills training. Most NGOs operate in urban areas, and there is less support for rural micro enterprises.

NGOs package and deliver credit to micro enterprises in similar ways. Most credit does not require collateral and group lending is the preferred model. Despite these similarities, loan recoveries vary enormously. There is also the problem that micro-credit institutions run by NGOs can only give loans to a small number of people. Interviews with NGO credit

officers revealed that so far only about 20,000 people out of the millions of poor in the country have benefited from micro-credit schemes.

Very few micro-credit institutions have replaced the defunct Zambia Co-operative Federation and its subsidiaries (Lima Bank and the Co-operative Bank). Prior to 1994 these were the key micro credit delivery institutions in Zambia. Those that have sprung up since, like the Micro-Bankers Trust are either financially crippled or too small to provide sustainable support to micro enterprises. The Micro-Bankers Trust was established to provide wholesale lending to more than eight micro-institutions, including NGOs, but has failed to provide these services. *(However, there seems to have been some recovery during 2002-2002. Editor).*

An effective micro institution capable of providing sustainable well-tailored technical and financial services to micro enterprises remains the key need of revamping the micro credit delivery system in Zambia.

### **4.3 Bilateral and multilateral organizations**

Increasingly donor support for the informal sector is channelled through NGOs, micro-finance institutions and quasi-government agencies, rather than through government structures. This shift is more pronounced among bilateral donors than multilateral donors. Although this shift was intended to lead to greater cost-effectiveness, it has contributed to fragmentation of NGO projects and a greater difficulty of monitoring impact. According to a review, donor support in the informal sector through NGOs, CBOs and other micro-finance institutions has undoubtedly contributed to people's livelihoods but it needs greater co-ordination.

NGOs and multilateral organizations seemed supportive of forming partnerships to support the informal sector. However, support from bilateral donors is less certain.

The study found that in recent years the Government's employment promotion and poverty reduction programmes have focused on the informal sector, but there has been no serious attempt to come up with a policy and institutional framework for coordinating these programmes. Nor is there a mechanism for inter-ministerial co-ordination or for coordinating NGO and donor support, which remains fragmented.

One attempt to coordinate all stakeholders and operators is the Draft National Vendors' Policy intended to encourage employment creation in the informal sector. The section below discusses the context, contents, process and design issues that might improve effectiveness of this policy.

### **4.4 Draft National Vendors' Policy**

The initial step made by the Government towards addressing the needs of vendors was the establishment of the Vendors' Desk in the Office of the President headed by the Deputy Minister. The principal aim of the Desk is to provide a forum among the relevant stakeholders (including street vendors themselves), for dialogue and the development of a policy framework for street vending. In this regard, Vendors' Desk initiated meetings with the relevant government agencies to produce a National Vendors' Policy. In July 1997, a preliminary draft of the Policy was produced. It still remains to be finalized. However, under

the new Government, the Vendors' Desk has been abolished since 2002. Nevertheless, the effort proposed by the Government remains noteworthy.

The draft National Vendors' Policy defined street vending as:

*“ an economic activity that involves the provision of consumer goods and services on a small scale in a raw, processed or semi-processed state predominantly on the street but also in shop corridors, bus and rail stations, construction sites, residential areas and in other unauthorized places ” (GRZ, 1997, p. 6).*

The National Vendors' Policy categorized informal sector operators into nomadic and sedentary vendors. The latter operate in established vending places or use permanent or semi-permanent structures to sell their merchandise.

Major street vendors are:

- school drop-outs, including those unable to enter college or find employment because of lack of necessary skills;
- individuals who have lost employment due to various reasons, including closure of companies and retrenchment;
- unsupported or married women whose husbands either have no income or do not earn enough for their families;
- orphans who do not have anybody to support them and are struggling to earn a living on the streets, and juvenile delinquents who go on the street to engage in illicit activities but find themselves also engaged in vending;
- those who cannot find readily available markets for their merchandise, such as “briefcase” wholesalers, tourists and cross-border traders, and business persons who off-load goods on the streets in order to evade taxes.

The Vendors' Policy aimed to stimulate employment in the vending sub-sector. The objectives were:

1. to provide suitable and affordable premises in which vending activities can be conducted or help vendors construct decent vending premises of their own;
2. to promote employment creation, encourage group formation and apprenticeship among street vendors (and enhance stock and access to social capital);
3. to provide business information and advice, working with training institutions, NGOs, and business experts; and
4. to set up and manage a revolving fund to support street vendors.

The Draft Vendors' Policy proposed a review of current regulations to make them more applicable to street vendors; and to establish a nation-wide structure to enable the Vendors' Desk to reach as many street vendors as resources permit. It aimed to streamline inter-ministerial, NGO and donor coordination of programmes on street vending.

Being the first proposal of its kind, the Draft Vendors' Policy provided the opportunity for stakeholders to contribute to a comprehensive informal sector policy in Zambia. In fact the policy would need to be broadened to embrace all activities in the informal sector, and

address the issues that inhibit the poor from realizing their full economic potential. Some of these issues are:

- a) The recognition of small social groupings and associations. Vendors in Lusaka have formed the Vendors' Self-Help Association (VSHA) whose members are registered and carry identity cards (GRZ, p. 9). The Association divided the Lusaka town centre into their own 25 geographic vending zones, with each zone headed by a supervisor or chairperson. These groups and associations can be important entry points for registration and subsequent provision of secure property rights to vendors – something that the Vendors' Policy could strive to bring about.
- b) The policy emphasizes that “the overall planning of trading in public areas should eventually guarantee control of the number of licences based on the evaluation of the number of fixed, rotating and occasional places available in urban areas (or sub-sectors) for the year in question, and granting of number of licences in proportion to quantity, applying differentiated parameters” (GRZ, p. 23). Three types of licences are intended:
  - fixed place licences for those operating in places such as council markets;
  - rotating sales or street vending licences for trading in authorized places such as streets, and
  - occasional sales licences for those selling products such as their own produce and other authorized items. Licence fees will be paid to the local councils and market management boards.

Two points can be made on this proposal:

- The occupancy rate in the newly constructed markets in Lusaka is lower than expected and most vendors are still on the streets. The planning process had ignored inputs from the vendors, and as a result the Government ended up responding to “assumed needs” rather than actual needs of vendors.
- Experience has shown that vendors comply more with rules and norms “commonly established” within their own networks, rather than those imposed on them by the Government.

There is need to build consensus on regulatory and enforcement issues contained in the draft policy, and transfer some of the management responsibilities to the vendors' associations. This will not only promote compliance, but also strengthen the social capital inherent in the existing networks and their capacity to accomplish other goals.

While initiatives to improve the stock of human capital through training initiatives have been highlighted, the policy is silent on measures to convert the street vendors' large amounts of dead capital into forms capable of being traded in formal markets. This will enhance responsiveness of the poor to economic reform especially with respect to formal markets and in particular to formal sources of credit.

Despite the recognition that about 40 per cent of the street vendors are women (GRZ, 1997), the Draft National Vendors' Policy did not address the imbalances that disadvantage women in the informal sector.

At August 2001, officials at the Vendors' Desk had already revealed that finalizing the National Vendors' Policy was being delayed due to budgetary constraints, but said that the Government was "committed to implementing the National Vendors' Policy once it is finalized and approved by cabinet".

#### **4.5 Youth unemployment and sustainable livelihoods**

Despite differences worldwide in defining words such as "youth" and "employment", available statistics on employment in Zambia show that young people constitute the largest segment of unemployed (Ministry of Youth, 1999; 1998). The rate of unemployment among youth is estimated at 40 per cent, while the overall unemployment rate in the country is around 30 per cent. Unemployment is highest for those aged between 12 and 25 years (CSO, 1999).

Fifty-seven per cent of unemployed youth are found in urban areas, compared to 32.4 per cent in rural areas. There has been a consistent rise in youth unemployment in Zambia, except for a slight fall in 1993. In 1986, the rate of unemployment among urban youth was 38.6 per cent compared to 12.3 per cent in rural areas. By 1990, these figures had risen to 33 per cent in urban areas and 15.8 per cent in rural areas, and in 1991 to 37.3 per cent and 35.3 per cent, respectively. By 1993, the rate of unemployment had risen to 70.9 per cent in urban areas and 19.8 per cent in rural areas – approximately 71 per cent of these were first-time entrants to the workforce.

The distribution of youth unemployment by province reveals the higher rate of unemployment in urban areas. The Copperbelt and Central Provinces had the largest number with 25.5 per cent and 13.7 per cent youth unemployed in 1986, respectively. The Luapula and Northern Provinces recorded the lowest youth unemployment rates of 6 per cent respectively.

As the economic growth rates continued to fall, more youth were entering the labour market while job openings became scarce: youth unemployment in the Copperbelt Province and Lusaka Province rose to 52.4 per cent and 47.5 per cent in 1991, and further to 66.8 per cent and 59.8 per cent by 1993, respectively. The lowest youth unemployment rates were recorded in North-Western (16.7 per cent) and Western provinces (20.3 per cent) in 1991, and in Luapula Province (12.3 per cent) and Northern Province (14.8 per cent) in 1993.

However, in 1996, Lusaka Province recorded the highest rates of youth unemployment (55 per cent), followed by the Copperbelt Province with 53.7 per cent. The large increase in youth unemployment in Lusaka can be attributed to the collapse of industries in other urban provinces, resulting in urban-to-urban migration.

Increasing rates of youth unemployment could be attributed to the poor performance of the economy, increasing population growth (at 3 per cent per annum), shrinkage in formal employment (as more companies closed down), falling progression rates in schools and colleges, and increasing numbers of orphans due to the HIV/AIDS epidemic.

As to gender differences, unemployment in 1986 among female youth was higher (20.7 per cent) than male youth (14.6 per cent). This had changed by 1996 when youth unemployment was the same (34.2 per cent) for both young men and women.

As indicated in chapter three, there is widespread involvement of youth in self-employment (or as employees) in the informal sector. This suggests that the informal sector has emerged as a critical source of youth employment. However, the types of activities in which young people are involved are precarious and do not provide a decent and sustainable source of livelihood for the majority. Some of the commonest activities include street vending and casual employment. Prostitution and a range of criminal activities, as well as association with drugs and alcohol, render livelihoods even more precarious. As indicated, the institutional response at present is grossly inadequate to secure quality employment and livelihoods for young people in the informal sector. Some of the obvious reasons include:

- lack of human and financial capacity to implement programmes to promote youth livelihoods;
- lack of access to formal markets and other entitlements;
- lack of administrative capacity, transparency and accountability on the part of programme managers (the greatest factor behind failure of most of the youth projects in Zambia);
- politicization of government-supported youth projects; and
- lack of genuine political will to initiate and support youth projects.

In this regard, it may be useful to document the types of activities that youth (both female and male) undertake in the informal sector and identify why the current programmes have failed to yield substantive results. This knowledge is necessary in order to design and implement training and enterprise promotional activities for youth working for themselves or for others in both the rural and urban informal sector.

## 5. Conclusions

- The household surveys indicated that the types of income-generating activities in the informal sector differed quite remarkably by rural and urban locations and by gender.
- The household survey data from the four communities suggested that 66.7 per cent of those surveyed were self-employed as proprietors, 8 per cent were informally employed (piece-work); 7.4 per cent combined formal and informal sector employment; 9.7 per cent were unpaid family workers; 8.5 per cent were exclusively employed in the formal sector.
- There were more male proprietors (73.1 per cent) than women (46.5 per cent), and the majority of unpaid family employees were female; youths and non-youth alike. 6.9 per cent of the unpaid family employees were women and 3.6 per cent were men. Similarly, Chiawa and Mfuwe, the poorest and most rural communities, had the largest proportion of individuals working as labourers on farms and nearby lodges (and most casual farm labourers were women).
- Although men and women were evenly distributed across different types of income-generating activities, women tended to pursue activities that combined well with their “culturally defined” reproductive roles. There were more men than women engaged in out-of-home livelihood activities.
- The majority of women in urban areas tended to be concentrated in petty trading in foodstuffs, restaurants and tailoring activities and those in rural areas in subsistent farming.
- Most men engaged in furniture making, welding, metal fabrication, trading, and cash crop fanning and agricultural marketing. These activities had more potential for expansion than petty trading in foodstuffs, predominately undertaken by women.
- In terms of asset accumulation and composition, the household survey suggested that a larger proportion of household wealth lay in real estate in the category of “dead capital” (see above) whose utility could be freed up by legal changes, property rights and fair market systems.
- During the last two decades, voluntary contribution programmes towards the provision of local public and for the mobilization of credit had become effective ways of alleviating lack of public services and short-run credit constraints among the poor. In communities where both social and human capital was low (as in Chiawa), these associations or schemes were non-existent, collapsed or ineffective.
- Investing in social and human capital formation contributes to the effectiveness of voluntary associations; improves credit mobilization and provision of local public goods such as water supply, health and education through community initiatives. These associations play an important role in disseminating information at community level.

- It may be prudent for Government, NGOs, International Agencies and other stakeholders to encourage investment in human and social capital formation in low-income communities to improve the livelihoods of the poor.<sup>22</sup>
- Group formation in itself is not sufficient. Community associations should develop and federate with each other in order to influence Government and other institutions to respond appropriately to their needs.
- Although motivating external support for social and human capital formation and initial material support in times of crisis is necessary, this can produce undesirable outcomes. As indicated by Ostrom (1998), external support can produce “dependent” rather than “entrepreneurial” residents, inhibit defensive action and the capacity to produce capital and human progress in the recipient community. [The attitudes and mentality of Chiawa residents fits this description well. One study found that despite Chiawa experiencing severe drought and floods several times, no substantive measures have been made to mitigate the impact of future droughts and floods.]
- In sum, most rural households derive income and livelihood from agricultural informal sector activities while urban households do so from non-agricultural informal sector activities.
- While there are various constraints on growth, diversification and employment creation in the informal sector, the results of the study suggest that lack of credit facilities, inadequate markets, lack of skills and entrepreneurship training, and the high cost of inputs are the major constraints on the informal sector.
- Lack of information on markets and lack of transparency and accountability of government programmes/project in the sector adversely affect employment creation, sustainable livelihoods and coping strategies of the poor.
- The result of the study also indicates that there has been an increase in labour participation rates among youth and women working in the informal sector during the past two decades. Two major factors account for this increase. First, the economy experienced massive reductions in formal employment due to retrenchments, (which implied that the majority of those who lost jobs found employment in the informal sector).
- The Government’s argument that loss in formal employment is more than compensated for by a surge in informal sector employment (e.g., taxi driver jobs) fails to recognize the difference in terms of quality, earnings and sustainability between the two types of employment.
- Moreover, the fall in formal sector wages and increasing cost of living led to an increase in labour participation rates for those formally employed and for women and children. And the increase in morbidity and mortality due to HIV/AIDS, especially among those aged between 15 and 49 years, led to an increase in “child-headed” and “granny-headed” households. This accounts for a substantial increase in labour participation rates for

---

<sup>22</sup> Financial, technical and material support for social capital formation should not be based on economic considerations alone in the sense that the stability of social capital in most cases is propelled by non-economic factors such as spiritual, cultural, ethical and moral foundations of society that promote social cohesion.

women, youths and children in the informal sector. The phenomenon of child labour and streets kids has also increased tremendously during the last decade.

- Lastly, although the Government's programmes aimed at employment promotion and poverty reduction have focused increasingly on the informal rather than the formal sector in recent years, no "serious" attempt by the Government has been made to form a comprehensive policy and institutional framework to coordinate programmes and activities in the informal sector. This has not only led to fragmentation but also denied informal sector operators the opportunity to participate in the economic reform programme.
- The evidence regarding the effectiveness of the various youth programmes is mixed. Wherever standard management, transparency and accountability practices have been applied, youth programmes made some improvement to youth livelihoods.
- Government youth programmes have been less effective for several reasons including political interference. Nonetheless, the scope for improving the effectiveness of these programmes is enormous. It will need, on the one hand, better programme design and implementation, and on the other, political commitment and better governance.



## Bibliography

Chambers, Robert (1988): “Sustainable rural livelihoods: a key strategy for people, environment and development”, in *The Greening of Aid: Sustainable Livelihoods in Practice*. Earthscan Publication Ltd.

Central Statistical Office (1999): *Living conditions monitoring survey 1998*, Lusaka, Zambia.

Chigunta, F. (forthcoming): “Promoting Youth Livelihoods Through Youth Enterprise Development in Zambia”; Ph.D. Dissertation, Oxford University.

Child, F. C. (1976): “Employment Technology and Growth – The Role of the Intermediate Sector in Kenya”. Occasional Paper No. 19, Institute for Development Studies, University of Nairobi.

Department of Economics (1998, 1999 and 2000): *Budget Analysis*, , University of Zambia, Lusaka.

Gray, et al. (1996): *Entrepreneurship in Micro Enterprises: A Strategic Analysis of Manufacturing Industries in Kenya* (New York, University Press of America,).

Harper, M. (1989): “Training and Technical Assistance for Micro Enterprise”, in Jacob Levistky (ed.), *Micro enterprises in Developing Countries*. Papers and Proceedings of an International Conference (London: Intermediate Technology Publications).

Hart, Keith (1973): “Informal Income Opportunities and Urban Employment in Ghana”, in *Journal of Modern African Studies*, , Vol. 3, pp. 61-69.

Hernando De Soto (2001): “Dead capital and the poor”, *SAIS Review* 2 1:1 pp. 13-43.

Hoppers, Wim H. M. L. (1981): “The Social Context of Non-formal Training”. Paper presented at a Seminar in the School of Humanities and Social Sciences, University of Zambia.

Imboela, L. B. (1997): “New Forms of Economic Activities in the Informal Sector after 1990: An Investigation of the Socio-Economic Characteristics of the Tuntamba Operators and their Role in Household Survival Strategies in Zambia”. Report prepared for the Study Fund Social Recovery Project, Lusaka, Zambia, Serial No. 50.

International Labour Organization (1997): *Employment Incomes and Equality: A Strategy for Increasing Productive Employment in Kenya*. Geneva, ILO.

ILO/UNDP (2000): “Investment for Poverty Reducing Employment” ILO/UNDP Report, Lusaka.

Government of the Republic of Zambia: Ministry of Sport, Youth and Child Development, “The National Programme of Action for Youth”, 1997.

Ministry of Sport, Youth and Child Development (1995): “The National Youth Policy”.

Ministry of Community Development and Social Welfare (1998): “National Poverty Reduction Strategic Framework”, Lusaka, Zambia.

Vendors’ Desk at State House (1998): Draft Vendors’ Policy, Lusaka, Zambia.

Kani, Felix C. (2000): “Structural adjustment and economic reform programmes, labour market institutions, employment and the role of social partners: The Zambian Experience”. ILO, Harare-Zimbabwe.

Kent, D. W. and Mushi, P. S. D.: “The Education and Training of Artisans for the Informal Sector in Tanzania”. A report prepared for the Overseas Development Administration, United Kingdom, Serial No. 18.

Mayaka, W. C. and Moyo, G. (1997): “Trends and Characteristics of Youth Unemployment in Zambia: 1986–1996”. Report prepared for the Study Fund Social Recovery Project, Lusaka, Zambia.

McGrath, S. and King, K. (1995): “Education and Training for the Informal Sector”. A Report prepared for the Department of International Development, Vol. 1-2, Serial No. 11.

Mukuka, L. (1999): “A Needs Assessment of the Urban Informal Sector: A Case Study of Market Niches, Product and Service Needs for the urban Informal Sector in Lusaka”. A Report prepared for the GRZ/GTZ Step-In Programme, Lusaka, Zambia,.

Mulenga, S. Bwalya (2000): “The demand for wood fuel and substitution possibilities in urban Zambia”, paper presented at the conference on micro evidence at Oxford University, Oxford, UK.

Seshamani, V. (1999): “Budgetary priorities: Are they oriented towards addressing poverty and social sector development?” The 1999 Budget Analysis; Department of Economics, Lusaka, Zambia.

Seshamani, V., Milimo J., Henriot, P. and Banda, M. (1997): “Employment and sustainable livelihoods Zambia”, UNDP Report, Lusaka.

*Times of Zambia*, 24th May 2000.

Tolosi, M. S. and Nawiko, M. (1997): “Informal Sector Business Activities in Lusaka Urban District under the Structural Adjustment Programme”. Report prepared for the Study Fund Social Recovery Project, Lusaka, Zambia, Serial No. 45.

United Nations Development Programme (1999): *Human Development Report*.

UNDP: SL Concept paper downloaded from: [http://www.undp.org/sl/strategy\\_paper/concept-of SL.htm](http://www.undp.org/sl/strategy_paper/concept-of SL.htm)

World Bank: “Zambia Poverty Assessment”, Vol. IV, Human Resources Division, Southern Africa Regional Office.

## Annex I: Tables

**Table 1.1: Types of household economic activities by gender (in percentages)**

	Trading	Agriculture and fishing	Manufacturing/craft	Trading plus others	Agriculture and other non-trading activities	Others	Total
Men	39.1	15.4	15.5	15.4	6.3	8.4	100
Women	39.0	19.5	14.3	7.8	1.3	18.1	100

Source: Author's own calculation based on household survey data.

**Table 1.2: Type of employment by level of education**

Employment	None	Primary	Secondary	Tertiary
Waged* employment	3.7	6.5	8.3	0
Business/trading	33.3	44.2	48.6	66.7
Agriculture	33.3	29.9	19.4	16.7
Wage and business	14.8	5.2	5.6	16.7
Wage and Agriculture	3.7	1.3	4.2	0
Not working but searching for job	3.7	7.8	1.4	0
Not working not searching for job	0	1.3	4.2	0
Retired	7	1.3	2.8	0
None Response	0	7.7	5.5	0
<b>Total</b>	<b>100</b>	<b>100</b>	<b>100</b>	<b>100</b>

Note: i) Waged employment includes both informal and formal employment.  
 ii) Business, trading and agriculture refers to those self employed in the informal sector.  
 iii) (i) and (ii) means waged employment (formal or informal) and self-employment.

**Table 1.3: Level of education by gender and location/area**

	None	Primary	Secondary	Tertiary
<b>Location/area</b>				
Petauke	7.4	15.6	37.5	33.3
Mfuwe	25.9	35.1	22.2	16.7
Chiawa	40.7	32.5	16.7	16.7
Mandevu/Kalikiliki	25.9	16.9	23.6	33.3
<b>Gender</b>				
Men	40.7	57.1	66.7	83.3
Women	59.3	42.9	33.3	16.7
<b>Total</b>	<b>100</b>	<b>100</b>	<b>100</b>	<b>100</b>

**Table 1.4: Average household inventory of household assets by type of asset and area**

	Petauke	Mfuwe	Chiawa	Mandevu
Plough	456	20,956	855	1,069
Hoe	3,764	3,906	4,225	2,931
Sprayer	2,164	1,914	2,070	2,588
Wheelbarrow	35,906	32,820	35,500	42,624
Bicycle	23,522	22,924	23,570	26,713
Motor Vehicle	108,422	95,912	0	129,677
Tractor	8,656	7,657	8,282	10,352
Sewing machine	546,206	490,874	53,946	649,932
Carpentry tools	90,977	85,287	92,249	109,062
Television set	91,567	81,001	87,614	100,767
Radio	112,076	101,837	109,129	130,162
Electric iron	14,999	13,653	14,767	17,759
Non electric iron	7,357	6,893	7,455	7,519
Household furniture	306,233	10,413	27,637	421,125
Stove	45,333	43,462	0	70,200
Fridge	308,778	25,962	0	103,000
Other household assets	25,778	166,577	255,500	55,000
Non residential building	753,667	70,288	0	1,899,625
Residential building	3,230,667	251,625	170,612	3,290,300

**Table 1.5: Percentage distribution of total household assets**

Category	Frequency (%)
Less than 500,000	50.1
500,000 to 1,500,000	22
1,500,000 to 3,000,000	7.9
3,000,000 to 5,000,000	8.8
Above 7,500,000	11.2
<b>Total</b>	<b>100</b>

**Table 1.6: The distribution of household by estimated implicit monthly wage rate\* (opportunity cost of labour) categories**

Category	Frequency (%)
Less than 100,000	26.1
100,000 to 250,000	44.6
250,000 to 500,000	17.0
500,000 to 750,000	8.5
Above 750,000	3.8
<b>Total</b>	<b>100</b>

Note: \* Amount of wage income the respondents would accept in order to forego his/her current informal sector income/activity . The implicit wage is a proxy measure of the value of the informal sector activity.

**Table 1.7: Source of business financing by gender and age category in percentages**

	Personal savings	Family	Friends	NGO/ associations	Personal and family	Personal and friends	None response	Total
Men	45.8	15.0	0	7.4	8.4	1.8	21.6	100
Women	31.9	17.4	4.3	8.4	8.7	4.7	24.6	100
<b>Age category</b>								
Youth	41.9	14.5	3.2	9.7	6.5	3.3	21.0	100
Non-Youth #	35.8	16.7	0.9	9.8	10.5	2.7	23.6	100

Source: Author's own calculation based on household survey data.

**Table 1.8: Problems facing informal sector operators**

Problems/constraints cited	Frequency (%)
Lack of credit/finance	63
Lack of demand	57
Lack of entrepreneurship skills	33
Cost of inputs including utilities	29
Wild animal stampede	16
Lack of inputs	4
Low profits	4

**Table 1.9: Household sources of information on markets and prices by gender (in percentages)**

	Friend and relatives	NGO and local association	Media (private/govt)	Customer and/or dealer	Multiple sources	None	Total
<b>Information on input prices</b>							
Men	38.3	3.9	3.7	30.8	15.1	8.2	100
Women	41.6	13.0	0	14.3	14.3	16.8	100
<b>Information on input and output prices</b>							
Men	33.3	6.5	7.4	18.5	8.4	25.9	100
Women	31.2	14.3	0	6.5	24.5	32.5	100
<b>Information on markets</b>							
Men	37.3	7.2	4.5	23.6	17.4	10.0	100
Women	42.9	6.5	1.3	20.8	19.4	9.1	100
<b>Information on job opening (formal and informal)</b>							
Men	52.1	6.3	14.4	8.1*	13.7	5.4	100
Women	42.9	11.7	11.7	3.9*	24.6	5.2	100

Source: Author's own calculation from household survey data.

Note: \* denotes information from employer.

**Table 1.10: Households' perception of economic reform and business environment**

	Perception of economic environment						Uncertainty		
	Ten years ago			Fives year ago			Next five years		
	Rural	Urban	Peri-urban	Rural	Urban	Peri-urban	Rural	Urban	Peri-urban
Better	22.5	14.6	6.8	19.6	22	29.5	38.6	2.9	2.4
Same	4.9	9.8	15.9	7.8	19.5	4.5	9.1	9.8	17.1
Worse	25.5	31.7	-	53.3	39	56.8	45.5	4.9	12.2
Not sure	12.7	31.1	52.3	7.8	19.5	4.5	6.8	35.3	29.3
Non-response	34.3	12.2	18.2	29.4	4.9	2.3	-	15.7	34.1

Note: Totals may not add up to 100 due to rounding off. Figures indicate percentages.

**Table 1.11: Kinship and trust and household coping strategies in the four communities**

Type of support	Chiawa (%)	Petauke (%)	Mandevu (%)	Mfuwe (%)
From relatives and friends	22.7	25.6	39.2	46.2
From friends only	29.5	13.7	8.2	10.2
From relatives only	13.6	13.7	14.3	20.3
No support	22.7	27.5	28.6	23.3
Not applicable	11.5	19.5	9.7	-

Note: Totals do not add up to 100 per cent due to multiple responses.

**Table 1.12: Proportion of households that use various coping strategies by rural and urban**

Coping strategies	Rural	Urban	Zambia
Reducing meals	66	60	64
Reducing other items	61	62	62
Assistance from friends	58	60	58
Substituting ordinary meals	54	45	51
Informal borrowing	24	38	29
Piece-work on farms	38	9	28
Other piece work	37	22	31
Petty vending	15	23	18
Sale of assets	17	13	15
Food for work	20	4	14
Pushing children from school	9	9	9
Relief food	10	2	7

Source: Adopted from the Living Conditions Monitoring Survey 1998, Report 1999.

## **Annex II: Institutional response to youth unemployment in Zambia**

### **1. Youth enterprise promotion**

There are two categories of interventions on youth enterprise development in Zambia: general enterprise development programmes and youth-specific programmes. These programmes can further be divided into governmental and non-governmental programmes.

#### **1.2 The Ministry of Sport, Youth and Child Development (MSYCD)**

The major function of the Ministry of Sport, Youth and Child Development is to provide direction for sport, youth and child services, to set policies and translate them into strategies and priorities.

In order to discharge this responsibility, the Ministry in 1993 undertook a review of its youth policies and programmes: the National Youth Policy, which was approved in August 1994. To translate this policy into priorities, the Ministry came up with the National Programme of Action for Youth, which was approved in 1997 and is being implemented.

Interviews with officials at the Ministry of Youth suggest that the Ministry is grossly underfunded. For this reason, the Ministry has not been effective in initiating youth development programmes. The present programmes include:

- National Youth Development Council;
- Youth skills training centres;
- Community-based youth skills training projects;
- Youth settlement schemes;
- Research and staff training centres; and
- The Commonwealth Youth Credit Initiative.

##### **1.2.1 The National Youth Development Council (NYDC)**

The National Youth Development Council was established in 1986 by Act of Parliament to promote and co-ordinate all youth development programmes and activities undertaken by various organizations. Its main functions include:

- Coordinate and implement policies of the Government concerning youth development;
- Assist financially, materially and/or technically youth organizations and individuals;
- Support the establishment of various youth economic ventures such as small business and cooperatives; and
- Train youth and facilitate the design of appropriate curricula for local training.

The NYDC is supposed to assist young people in the identification of viable business opportunities through research, business management and technical skills training, small enterprise development, management of youth settlement schemes, provision of business advisory and extension services, and provision of credit through the “Youth Entrepreneurship Promotion Revolving Fund”.

The NPAY stipulates that the National Youth Development Council should address problems affecting young people aged between 18 and 30 years who are not in full-time education. This age group is targeted because it is widely considered to be disadvantaged (this age group faces higher unemployment rates than other age groups and lacks the means of earning livelihood and access to credit and other institutional resources).

The NYDC is therefore supposed to meet the needs of such young people by undertaking advocacy, coordination and policy formulation on welfare issues affecting young people and to serve

as an umbrella institution for the promotion of the welfare of young people. All youth organizations and programmes are supposed to register with the council.

However, interviews with Ministry of Youth Officials revealed that the National Youth Development Council has generally been ineffective in promoting the welfare, and especially enterprise activities, of young people. The officials, the NYDC lacks the capacity, both human and financial; to implement its various programmes and has not been able to coordinate, even modestly, various youth programmes in the country. In addition, the Council has not been able to initiate youth enterprise development programmes, such as those being undertaken by some NGOs. Ministry officials attributed this to budgetary constraints. Low budgetary allocation to the Ministry from the Central Treasury has made it practically impossible for the NYDC to effectively discharge its responsibilities. However, in an effort to address some of the problems, the Ministry of Youth has embarked on an organizational restructuring of the Council. This is aimed at streamlining its operations within the available budgetary resources.

The restructuring process has been going on for the last four years or so. Herein lies a major weakness of the NYDC.

The Ministry of Youth officials interviewed also indicated that the NYDC suspended its operations during the period it has been undergoing this restructuring. This has meant depriving young people of participatory structures through which they could present their concerns to the Ministry. So, young people in Zambia currently lack a mechanism through which to participate in programmes that affect their welfare.

Closer scrutiny of budgetary allocation and expenditure for the Ministry of Youth suggests that the excuse of low budgetary allocation does not hold. This is a view that was supported by some officials at the Ministry. According to these officials, a significant amount of the money allocated to the Ministry of Youth is spent on short-term programmes designed to cultivate political support from young people and the Zambian population in general.

Most of the money allocated to the Ministry was spent on funding the National Football Team, and that if an equal amount of money spent on football was used to support the promotion of youth enterprise activities, much could have been achieved in promoting youth employment and livelihoods. The low expenditure on the promotion of youth enterprise activities appears to suggest lack of serious commitment to addressing the large and growing problem of youth unemployment in spite of official claims to the contrary. This lack of commitment is also manifest in the introduction of the Constituency Development Fund and is discussed in part 1.2.3 below.

### ***1.2.2 Youth Enterprise Promotion Fund***

The Youth Enterprise Promotion Fund was a government initiative established in 1994 to enable young people to become more aware of self-employment as a viable career option. Its main aim was to provide loans to various youth groups and individuals who did not have capital of their own and could not access loans from commercial lending institutions as they lacked collateral security. Initially the Fund was administered by the National Youth Development Council and was designed to function as a revolving fund.

However, after two years it was found that this fund was centralized in Lusaka and neglected the rural areas. As a result, the fund was decentralized in 1994, with the responsibility shifted to the Provincial Youth Development Officers and District Youth Officers under the supervision of the local Permanent Secretaries. A total of ZK100 million was shared among all the nine provinces.

This was the first time such an amount was made available for youth. The response from the youth was overwhelming, but it was not possible to meet the ever-growing demands due to limited funds. The District Development Committees scrutinized proposals and applications for loans. The

recovery period for the loans was 1 to 3 years depending on the amount and type of enterprise. The loan attracted an interest rate of 10 per cent for rural youth and 15 per cent for urban areas.

The fund fared quite well in the first year and some success in loan recovery was recorded amid anxieties at the level of monitoring. This had been and still is impossible to provide given the few staff available and inadequate resources at their disposal to carry out this exercise. The NPAY further notes that, while assistance in monitoring was being rendered by the agriculture extension officers, in some areas mismanagement of funds and materials existed.

Kekelwa (1998, p. 26) notes that most of the youths that benefited from the scheme lacked entrepreneurial skills and knowledge on how to manage projects. As a result, most youths failed to pay back the loans. However, in some provinces, and particularly Luapula, the monies as at December 1998 were genuinely revolving, and over 30 per cent of the amounts loaned out were recovered within the first 18 months.

### ***1.2.3 Constituency Youth Fund Scheme (CYFS)***

The Office of the President introduced the Constituency Youth Fund Scheme in 1996. It was felt that the distribution of funds at constituency level would ensure a balanced and universal availability of funding opportunities for youth enterprises. This fund was for non-repayable grants. The initial budget for the fund was ZK 2 Billion. However, only ZK 500m was disbursed.

District Councils have been administering the CYFS programme. There has been criticism about transparency in the allocation system. Indications are that some councils have diverted their allocations to non-authorized purposes. Even among those who have benefited, a culture of dependence was fostered giving rise to expectations of government handouts without the need to repay. However, available evidence also suggests that the fund has worked well in places where appropriate administering structures were put in place.

Learning from this experience, the Government through the Ministry of Sport, Youth and Child Development revised guidelines on the disbursement of these funds and the responsibility for managing these funds was shifted from District Councils to Provincial Youth Development Officers. Committees have been constituted including Members of Parliament and Councillors who have the responsibility of selecting which projects to benefit.

In 1999, the Ministry disbursed a total of ZK 1.5 billion (one and a half billion Kwacha) shared equally amongst all the 150 constituencies at KIO in (ten Million Kwacha) per constituency. Unfortunately, this funding system proved to be highly susceptible to abuse. Reports indicate that in some constituencies, MPs and government Ministers had used their influence to withdraw the money from banks and pass it over to their electorate to win political support.

### ***1.2.4 The Commonwealth Youth Credit Initiative (CYCI)***

Although the Commonwealth Youth Program Africa Center (CYP) is directly implementing the CYCI, it is included here as one of the current government schemes for promoting youth enterprise development in Zambia, because the memorandum of understanding between the Government of Zambia and CYP designates the scheme as belonging to the Ministry of Youth.

CYCI is a credit delivery scheme that provides unemployed youths with access to credit and also provides a package of assistance to set up or expand entrepreneurial activity. The CYC micro-credit programme is currently being piloted in four countries across the Commonwealth.

In Zambia, the main aim of the scheme is to empower young men and women between 15-25 to undertake income-generating projects to help reduce unemployment and poverty among the youth. The initiative was launched in June 1996 and the first loans were given out in 1997. From inception it

was made clear that CYCI was not to be seen as a charitable venture hence CYP as the initiator had to identify an NGO that would run the scheme on purely commercial lines to guarantee loan recovery through strict monitoring of creditors. The beneficiaries identified are first trained in micro-enterprise development and group cohesion before receiving loans. Loans are disbursed to groups of 5 persons based on a 2.2.1 format. [Two borrowers in the group of five young men and women are to be given loans and monitored for five weeks. The next two members will be eligible once the first two have paid promptly. The fifth member benefits after the next two have met the conditions.]

The overall advantage of CYCI was that the underprivileged young men and women were to be empowered to be self-employed and afforded the opportunity to be masters of their own destiny. In addition training is an integral and pre-condition for loan eligibility in the CYCI scheme. In particular, the main advantage of CYCI lay in:

- training of youth in the management of loans and savings for small scale enterprise;
- strict monitoring and supervision of borrowers, and
- group cohesion.

However, the CYCI, like other youth credit schemes in Zambia, had met with limited success. Initially the scheme was being administered by the National Savings and Credit Bank of Zambia (NSCBZ). However, this institution faced a lot of problems in monitoring, which resulted in poor recoverability of loans. The scheme was then transferred to Progress Finance Limited (PFI). A total sum of 25 thousand British pounds was put in at the beginning. A small number of youths are currently benefiting from this scheme in Lusaka's high-density settlements of Chaisa, Mandevu and Chipata compounds. However, loan recovery continues to be a major problem.

## **2.2 Non-governmental programmes**

Several NGOs implement youth programmes in the informal sector. The following are some of the major ones.

### ***2.2.1 The Young Women's Christian Association Youth Project***

YWCA runs a business-training programme for young people. Within the training programme, a small credit scheme has been introduced. Irish AID finances the programme, while the ILO provides the training materials and technical support. The project targeted unemployed young people who were not in school, recruited from the local communities in which the YWCA operated.

Information on how the graduates of the YWCA training programme performed in their enterprise activities after receiving training was not available. It is therefore difficult to assess the performance of the project. Nevertheless, officials at YWCA interviewed indicated that trainees were given small loans to set up small businesses. The major observable weakness of the YWCA training programme was its small training coverage. Only a few young people benefited from the programme. The last batch comprised only thirty-nine trainees. This implies that the YWCA training programme had little immediate impact on livelihoods of the beneficiaries.

### ***2.2.2 The Human Settlements of Zambia (HUZA) Youth Projects***

The Human Settlements of Zambia is another NGO that supports youth enterprise activities along its core mandate. According to the Director, HUZA's mandate is to improve human settlements, especially in low-income urban settlements. HUZA field staff discovered that households with many income earners were improving their houses at faster rates than those with single income earners. They observed that most households with single income earners had a large number of dependent unemployed youth who were mainly involved in low returns: petty trading and "piece work". In an attempt to involve these young people in productive enterprise activities, HUZA introduced some skills training programmes.

Three skills training centres were established in three low-income settlements, Bauleni, Chawarna and Ng'ombe, in Lusaka. The centres offer skills training in tailoring, woodwork, block making, gardening and home economics (nutrition). Although the training programmes set by HUZA are generally successful in terms of skills training for unemployed youths, they suffer from three major weaknesses. The first is that they offer the usual "traditional" skills that do not seem to offer new opportunities to young people. [There is documented evidence, which shows that the market for skills like tailoring and carpentry is saturated.] As a consequence, young people trained in these skills tend to face the general problems affecting other informal sector operators such as lack of demand for their products. Secondly, the training coverage is very limited. [Very few young people are taken in by the centres for training.] Thirdly, the training centres are dependent on funds from HUZA's overseas partners, mainly NGOs in the Netherlands, Norway and Germany. Efforts to make the centres self-sustaining have generally been unsuccessful.

### **3. Conclusion**

Evidence regarding the effectiveness of the various youth programmes is mixed. Wherever standard management, transparency and accountability practices have been applied, the programmes have made significant improvements to the livelihood of youth.

However, that government youth programmes have been less effective for the several reasons already alluded to. Nonetheless, the scope for improving the effectiveness of these programmes is enormous, including adopting better programme design, monitoring and implementation on one hand, and political commitment, policing and coordination of youth programmes in the informal sector by the Government on the other.



## SEED Working Papers

1. “Home Work in Selected Latin American Countries: A Comparative Overview” (*Series on Homeworkers in the Global Economy*), Manuela Tomei, 2000
2. “Homeworkers in Paraguay” (*Series on Homeworkers in the Global Economy*), María Victoria Heikel, 2000
3. “Homeworkers in Peru” (*Series on Homeworkers in the Global Economy*), Francisco Verdera, 2000
4. “Job Quality and Small Enterprise Development” (*Series on Job Quality in Micro and Small Enterprise Development*), 1999
5. “The Hidden MSE Service Sector: Research into Commercial BDS Provision to Micro and Small Enterprises in Viet Nam and Thailand” (*Series on Innovation and Sustainability in Business Support Services (FIT)*), Gavin Anderson, 2000
6. “Home Work in Argentina” (*Series on Homeworkers in the Global Economy*), Elizabeth Jelin, Matilde Mercado, Gabriela Wyczykier, 2000
7. “Home Work in Brazil: New Contractual Arrangements” (*Series on Homeworkers in the Global Economy*), Lena Lavinás, Bila Sorj, Leila Linhares, Angela Jorge, 2000
8. “Home Work in Chile: Past and Present Results of a National Survey” (*Series on Homeworkers in the Global Economy*), Helia Henríquez, Verónica Riquelme, Thelma Gálvez, Teresita Selamé, 2000
9. “Promoting Women’s Entrepreneurship Development based on Good Practice Programmes: Some Experiences from the North to the South” (*Series on Women’s Entrepreneurship Development and Gender in Enterprises — WEDGE*), Paula Kantor, 2000
10. “Case Study of Area Responses to Globalization: Foreign Direct Investment, Local Suppliers and Employment in Győr, Hungary” (*Series on Globalization, Area-based Enterprise Development and Employment*), Maarten Keune, András Toth, 2001
11. “Local Adjustment to Globalization: A Comparative Study of Foreign Investment in Two Regions of Brazil, Greater ABC and Greater Porto Alegre” (*Series on Globalization, Area-based Enterprise Development and Employment*), Glauco Arbix, Mauro Zilbovicius, 2001
12. “Local Response to Globalization: MESTA Region, Bulgaria” (*Series on Globalization, Area-based Enterprise Development and Employment*), Hanna Rusczyk, Ingrid Schubert, Antonina Stoyanovska, 2001
13. “Ethnic Minorities — Emerging Entrepreneurs in Rural Viet Nam: A Study on the Impact of Business Training on Ethnic Minorities”, Jens Dyring Christensen, David Lamotte, 2001
14. “Jobs, Gender and Small Enterprises in Bangladesh: Factors Affecting Women Entrepreneurs in Small and Cottage Industries in Bangladesh” (*Series on Women’s Entrepreneurship Development and Gender in Enterprises — WEDGE*), Nilufer Ahmed Karim, 2001
15. “Jobs, Gender and Small Enterprises: Getting the Policy Environment Right” (*Series on Women’s Entrepreneurship Development and Gender in Enterprises — WEDGE*), Linda Mayoux, 2001
16. “Regions, Regional Institutions and Regional Development” (*Series on Globalization, Area-based Enterprise Development and Employment*), Maarten Keune, 2001
17. “ICTs and Enterprises in Developing Countries: Hype or Opportunity?” (*Series on Innovation and Sustainability in Business Support Services (FIT)*), Jim Tanburn and Alwyn Didar Singh, 2001

18. “Jobs, Gender and Small Enterprises in Africa and Asia: Lessons drawn from Bangladesh, the Philippines, Tunisia and Zimbabwe” (*Series on Women’s Entrepreneurship Development and Gender in Enterprises — WEDGE*), Pamela Nichols Marcucci, 2001
19. “Jobs, Gender and Small Enterprises in the Caribbean: Lessons from Barbados, Suriname and Trinidad and Tobago” (*Series on Women’s Entrepreneurship Development and Gender in Enterprises — WEDGE*), Carol Ferdinand (ed.), 2001
20. “Jobs, Gender and Small Enterprises in Bulgaria” (*Series on Women’s Entrepreneurship Development and Gender in Enterprises — WEDGE*), Antonina Stoyanovska, 2001
21. “Women Entrepreneurs in Albania” (*Series on Women’s Entrepreneurship Development and Gender in Enterprises — WEDGE*), Mimoza Bezhani, 2001
22. “Ajuste Local à Globalização: um estudo comparativo do investimento estrangeiro direto no ABC e na Grande Porto Alegre” (*Série sobre Globalização, Desenvolvimento de Empresas ao Nível Local e Emprego*), Glaucio Arbix, Mauro Zilbovicius, 2002
23. “Small Enterprises, Big Challenges: A Literature Review on the Impact of the Policy Environment on the Creation and Improvement of Jobs within Small Enterprises”, (*Series on Conducive Policy Environment for Small Enterprise Employment*), Gerhard Reinecke, 2002
24. “Méthodes et Instruments d’Appui au Secteur Informel en Afrique Francophone”, Carlos Maldonado, Anne-Lise Miélot, Cheikh Badiane, 2003 (forthcoming)
25. “Artisanat et Emploi dans les Provinces de Settat et El Jadida”, Gérard Barthélemy, 2002
26. “Employment Creation and Employment Quality in African Manufacturing Firms”, Micheline Goedhuys, 2002
- 27E. “An Information Revolution for Small Enterprise in Africa: Experience in Interactive Radio Formats in Africa” (*Series on Innovation and Sustainability in Business Support Services (FIT)*), Mary McVay, 2002
- 27F. “Une révolution de l’information pour les petites entreprises en Afrique : L’expérience en matière de formats radio interactifs en Afrique” (*Série Innovation et viabilité des services d’appui aux entreprises*), Mary McVay, 2002
28. “Assessing Markets for Business Development Services: What have we learned so far?” (*Series on Innovation and Sustainability in Business Support Services (FIT)*), Alexandra Overy Miehlabradt, 2002
29. “Creating a Conducive Policy Environment for Micro, Small and Medium-Sized Enterprises in Pakistan” (*Series on Conducive Policy Environment for Small Enterprise Employment*), Small and Medium Enterprise Development Authority of Pakistan (SMEDA), 2002
30. “Creating Market Opportunities for Small Enterprises: Experiences of the Fair Trade Movement”, Andy Redfern and Paul Snedker, 2002
31. “Creating a Conducive Policy Environment for Employment Creation in Small Enterprises in Viet Nam” (*Series on Conducive Policy Environment for Small Enterprise Employment*), Pham Thi Thu Hang, 2002
32. “Business Training Markets for Small Enterprises in Developing Countries: What do we know so far about the potential?” (*Series on Innovation and Sustainability in Business Support Services (FIT)*), Akiko Suzuki, 2002
33. “Organizing Workers in Small Enterprises: The Experience of the Southern African Clothing and Textile Workers’ Union” (*Series on Representation and Organization Building*), Mark Bennett, 2002
34. “Protecting Workers in Micro and Small Enterprises: Can Trade Unions Make a Difference? A Case Study of the Bakery and Confectionery Sub-sector in Kenya” (*Series on Representation and Organization Building*), Gregg J. Bekko and George M. Muchai, 2002

35. “Creating a Conducive Policy Environment for Employment Creation in SMMEs in South Africa” (*Series on Conducive Policy Environment for Small Enterprise Employment*), Jennifer Mollentz, 2002
36. “Organizing in the Informal Economy: A Case Study of Street Trading in South Africa” (*Series on Representation and Organization Building*) Shirin Motala, 2002
37. “Organizing in the Informal Economy: A Case Study of the Clothing Industry in South Africa” (*Series on Representation and Organization Building*), Mark Bennett, 2003
38. “Organizing in the Informal Economy: A Case Study of the Building Industry in South Africa” (*Series on Representation and Organization Building*), Tanya Goldman, 2003
39. “Organizing in the Informal Economy: A Case Study of the Minibus Taxi Industry in South Africa” (*Series on Representation and Organization Building*), Jane Barrett, 2003
40. “Rags or Riches? Phasing-Out the Multi-Fibre Arrangement”, Auret van Heerden, Maria Prieto Berhouet, Cathrine Caspari, 2003
41. “Flexibilizing Employment: An Overview”, Kim Van Eyck, 2003
42. “Role of the Informal Sector in Coping with Economic Crisis in Thailand and Zambia”, Gerry Finnegan and Andrea Singh (eds.), 2004
43. “Opportunities for SMEs in Developing Countries to Upgrade in a Global Economy” (*Series on Upgrading in Small Enterprise Clusters and Global Value Chains*), John Humphrey, 2003
44. “Participation in Global Value Chains as a Vehicle for SME Upgrading: A Literature Review” (*Series on Upgrading in Small Enterprise Clusters and Global Value Chains*), Cathrine Caspari, 2003
45. “Local Implementation of Quality, Labour and Environmental Standards: Opportunities for Upgrading in the Footwear Industry” (*Series on Upgrading in Small Enterprise Clusters and Global Value Chains*), Lizbeth Navas-Alemán and Luiza Bazan, 2003
46. “Industrial Renewal and Inter-firm Relations in the Supply Chain of the Brazilian Automotive Industry” (*Series on Upgrading in Small Enterprise Clusters and Global Value Chains*), Anne Caroline Posthuma, 2003 (forthcoming)
47. “The Competitive Advantage of Buying Networks in Wood Products Value Chains” (*Series on Upgrading in Small Enterprise Clusters and Global Value Chains*), Jeff Readman, 2003 (forthcoming)
48. “High Road Upgrading in the ‘Third Italy’: Lessons for Integrated Small Enterprise Development and Good Labour Conditions in Developing Countries” (*Series on Upgrading in Small Enterprise Clusters and Global Value Chains*), Alberto Criscuolo, 2003 (forthcoming)
49. “Small Enterprise Development and Job Creation in the Culture Sector in the SADC Region: The Music Sector” (*Series on Upgrading in Small Enterprise Clusters and Global Value Chains*), Cecile Lambert, 2003
50. “Small Enterprise Development and Job Creation in the Culture Sector in the SADC Region: Ethno-Tourism” (*Series on Upgrading in Small Enterprise Clusters and Global Value Chains*), Steven Bolnick, 2003
51. “Small Enterprise Development and Job Creation in the Culture Sector in the SADC Region: Visual Arts and Crafts” (*Series on Upgrading in Small Enterprise Clusters and Global Value Chains*), The Trinity Session, 2004
52. “Small Enterprise Development and Job Creation in the Culture Sector in the SADC Region: Performing Arts and Dance” (*Series on Upgrading in Small Enterprise Clusters and Global Value Chains*), Annabell Lebethe, 2003

53. “Small Enterprise Development and Job Creation in the Culture Sector in the SADC Region: Television and Film” (*Series on Upgrading in Small Enterprise Clusters and Global Value Chains*), Avril Goffe and Natalie Jacklin, 2004 (forthcoming)
54. “Promouvoir un environnement de développement des micro et petites entreprises guinéennes favorable à la création d’emplois décents” (*Série Cadre stratégique favorable à l’emploi dans les petites entreprises*), Moussa Kourouma, 2003
55. “Creating a Conducive Policy Environment for Employment Creation in Micro and Small Enterprises in Tanzania” (*Series on Conducive Policy Environment for Small Enterprise Employment*) Paul Tibandebage, Samuel Wangwe, Moses Msuya, Darlene Mutalemwa, 2003
56. “Public Policy and Employment in Micro and Small Enterprises in Peru” (*Series on Conducive Policy Environment for Small Enterprise Employment*), Juan Chacaltana, 2003
57. “Business Centres for Small Enterprise Development: Experiences and Lessons from Eastern Europe”, Merten Sievers, Klaus Haftendorn, Astrid Bessler, 2003
58. “Promoting Female Entrepreneurship in Mauritius: Strategies in Training and Development”, (*Series on Women’s Entrepreneurship Development and Gender Equality — WEDGE*), Patricia Day-Hookoomsing, Vedna Essoo, 2003
59. “Facilitating Youth Entrepreneurship, Part I: An analysis of awareness and promotion programmes in formal and non-formal education”, Klaus Haftendorn, Carmela Salzano, 2003
59. “Facilitating Youth Entrepreneurship, Part II: A directory of awareness and promotion programmes in formal and non-formal education”, Klaus Haftendorn, Carmela Salzano, 2003 (forthcoming)
60. “Organizing in South Africa’s Informal Economy: An Overview of Four Sectoral Case Studies” (*Series on Representation and Organization Building*), Tanya Goldman, 2003
61. “Creating a Conducive Policy Environment for Employment Creation in MSEs in Chile” (*Series on Conducive Policy Environment for Small Enterprise Employment*), Carolina Flores, 2003
62. “Quels facteurs influencent la croissance et l’emploi décent dans les petites entreprises en Guinée?” (*Série Cadre stratégique favorable à l’emploi dans les petites entreprises*), Moussa Kourouma, 2004 (forthcoming)