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WOMEN IN THE INFORMAL SECTOR/ CHAMAS

Background

The International Labour Organization defines the informal sector as all types of non-formal employment involving workers who are not protected by national labour laws. They also are not subject to income taxes and have no social protection or entitlement to certain employment benefits such as gratuity, notice of dismissal, severance pay, paid leave, and bonuses.

The informal sector in Kenya has over the years become a major source of livelihood particularly to the female labour force in the country. In Kenya, majority of the new jobs are created in the informal sector as evidenced by a survey conducted by KNBS in 2019 where out of the 840,600 new jobs created, 762,000 were from the informal sector; accounting for 90.7% of total employment.

Chamas, on the other hand have been a driver of the non-formal economy in Kenya. In recent years, the government has taken steps to oversee the growing number of chama groups. The Department of Social Services in the Ministry of Labour now has the responsibility of registering and regulating them. There is no doubt that the chama movement plays and will continue to play an important role in the economic lives of Kenyans.

Most women use chamas (self-organized groups) for saving, lending and borrowing money. Financial inclusion, particularly for women, is crucial to economic growth and a key aspect of the Sustainable Development Goals, a set of international targets established to dramatically reduce poverty by 2030.

Status of women's participation in the informal sector: Access to Labour and the Economy

In the informal sector, there are gender differences in the business activities carried out, with men owned enterprises prevailing over those owned by women albeit not by a large margin. Ownership of the informal sector enterprises is almost equally divided between males and females, with men owning 52% of the enterprises and women 48%. This is despite women constituting 53% of the labour force.

This productivity gap could be attributed to the fact that enterprises owned by men and women are concentrated in different sectors; women entrepreneurs being represented in labour intensive sectors such as trade and services, and men in capital intensive manufacturing industries (Klapper et al., 2016).

Additionally, the gender productivity gap found in the informal sector has been attributed to some employment types, mainly casual wage worker and sub-contract worker where women

are over-represented. While there are no significant differences in profit margins between women-owned and men-owned enterprises, women owned enterprises tend to grow more rapidly in terms of employment than men-owned ones.

Factors that affect women-owned and men-owned enterprises

- i. **Education.** Productivity challenges in the informal sector include high illiteracy levels especially in the rural areas. This also includes the access to business management information, finance, technology and infrastructure are key inputs that determine the performance of informal enterprises.
- ii. **Access to finance.** This remains a critical factor of production that has the potential to positively affect the performance of informal sector enterprises. Low access to credit facilities has been found to mostly affect women (Mugo, 2012), with lending terms, conditions and requirements for collateral as a key issue to access to finance. Unfortunately, access to factors of production is skewed towards one gender. Studies have found that women continue to face many barriers in contributing to and benefiting from development. Access to business information such as financing, skills development and access to markets was found to impede women's productivity levels. Despite women being better educated than men, entry into self-employment has been found to be easier for men because they have easier access to basic information.
- iii. **Economic opportunities and women's economic empowerment.** A critical feature of gender data in Kenya is a lack of up-to-date information on women's economic empowerment and how women and men fare. According to the Sector Plan for Labour and Employment 2013–2017, the available employment statistics are based on the Labour Force Survey carried out in 1989– 1999. In addition, the forecasts and extrapolation may not capture gender dimensions accurately.
- iv. **Access to market and work sites.** Women are mostly home-based workers or street vendors and do not have access to work sites or access to finance to rent work space in strategic places. In addition, markets lack flexibility in terms of time, meaning that traders cannot operate late at night. Moreover, the insecurity makes it difficult for women to work at night. On the other hand, the number of years in operation increases the performance of informal sector enterprises.

Ways of bridging the gender productivity gaps

- i. There is need for affirmative action initiatives to expand beyond finances. Noting that the largest source of capital for women entrepreneurs' is mostly SACCOs and micro-finance institutions, emphasis should be placed to encourage formation of SACCOs, creating partnerships between SACCOs and affirmative action funds to accommodate women-owned sole proprietors in the informal sector.

- ii. All affirmative action funds should go beyond finance and incorporate business development support, capacity building, marketing, and mentorship to improve women entrepreneurial skills. There is need for gender targeted approach in business development training to women entrepreneurs to impart skills on business networking, enhance entrepreneurial mind-set and encourage mentorship among peer entrepreneurs to improve their entrepreneurial skills. Moreover, business training should be offered in men-dominated sectors, so as to encourage women to venture into more productive sectors.
- iii. To address the time constraint that women face due to the traditional sexual division of labour, sensitization programmes should be carried out to increase men engagement in child care, thus easing women participation in economic activities. In addition, promotion of women entrepreneurship through provision of safe and secure working environment through building market centres and street lighting projects can increase their working hours, since women entrepreneurs operate more on temporary or no structure at all compared to their men counterparts.
- iv. To encourage adoption of technology among informal enterprises, institutions mandated to advance technology should organize trade fairs and exhibitions for 26 Gender productivity gap in Kenyan informal enterprises informal enterprises to showcase benefits of technology adoption among informal enterprises. Linkage between informal enterprises and technical training institutions need to be created through apprenticeship programmes on acquiring skills on new technology. Enhancing electricity access countrywide will further enable informal establishments' use of electric powered machinery.

Conclusion

The informal sector has become increasingly important as a source of income and employment in Kenya. This contrasts with the declining performance of the formal sector, and underscores the sector's potential for absorbing the country's increasing labour force as more households become dependent on it. One important attribute of the sector is that it has become a major employer of the female labour force in the country.

it is important to understand gender-related factors that influence women's entrepreneurship. With this understanding, policy makers will be able to pinpoint the areas of potential and put in place incentive structures that promote women participation in the informal sector. Therefore, the government needs to put in place gender-specific enablers in order to address the gender productivity gap that exist thereby enabling women to start up and develop and grow their enterprises.