

# INFORMAL LABOR



**SUDAN**

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“The problem today lies in getting seeds and tools”, according to Hawa Issa, the 50 year old widow and mother of six, who spends her mornings clearing a piece of land, as part of the preparations preceding cultivation, and the evenings selling tea and coffee. “I save all the money I earn to buy seeds and start planting, as soon as I have enough money to buy them... This could take a long time”. Seeds price is high compared to the tea cups Hawa sells, and her only client today is the author of this story”, the International Committee of the Red Cross (ICRC), Internal Displacement in Armed Conflicts: Facing challenges, May 2010

The story of Hawa summarizes the correlation between war, displacement, unemployment, poverty, and the informal labor in the Sudanese context, and explains how the organic connectedness of these elements shaped the condition that transformed informal labor into a backyard, where displaced men and women seek a job. In addition, Hawa and her likes confront tremendous difficulties in urban areas; the absence of land or other agricultural inputs to adapt to contexts where their prior skills and expertise are not useful. Demographic transformations resulting from waves of displacement created economic circumstances that compelled many to venture into the informal sector.

Other elements contributed to increasing sector participation rates, among which: international organizations’ reduction of their public spending, the state’s withdrawal from subsidizing health and education services, in addition to the privatization previously owned public sector institutions. The industrial sector witnessed the closure of numerous facilities that used to absorb large numbers of workers, now unemployed or finding themselves in the informal labor. With a high youth percentage and increasing poverty rates, informal labor became the only chance for those forced by war circumstances and displacement to leave their regions, or those abandoned by the state.

## INFORMAL SECTOR IN AFRICA:

According to the African Development Bank report of March 2012, many African countries recently witnessed important growth, but that did not lead to the creation of decent jobs. Unemployment rates remain high, especially among the youth. Not enough attention has been given to the informal sector and its contribution to the economic transformation and creation of job opportunities, even though it contributes to around %55 of the national Gross Domestic Product (GDP) of Sub-Saharan African countries, and around %80 of the labor force. In general, the sector is associated with high poverty rates as well as economic and social instability. The sector’s development depends on an environment characterized by vulnerability in four main areas: weak contribution in taxes and fees, few or inexistent legislations, challenging access to financing, and weak skills and training. More importantly, the sector remains on the margin of state or donors development agendas, in most of the continent’s countries.

## SUDAN’S DEMOGRAPHIC STRUCTURE:

Based on the 2008 survey, the Sudanese population reached 30.9 million, with a rise of %21 compared to a 1992 survey, and threefold since the independence in 1956, when the overall number reached 10.3 million. Based on an annual growth rate of %2.8, the Central Bureau of Statistics (CBS) estimates that the population will reach 42 million in 2018, the set date for the next survey. Since Sudan’s independence in 1956 and up

until 2008, several demographic transformations occurred in various living conditions. The percentage of urban population soared from %8 in 1956 to %33.2 in 2008, due to rising internal migration rates from rural areas to cities. In contrast, the rural population dropped from %78 to %60 throughout the same period, and nomads’ percentage fell from around %13 to %7.1, during said period.

In the early 80s, population movement accelerated and took the form of widespread displacement waves, especially following the 1984-1983 drought waves, leading to the collapse of the traditional production system in the western and eastern parts of the country, followed by civil wars erupting in south Sudan in the 80s, and spreading to the Nuba mountains and the blue Nile in the 90s, and finally Darfur in 2003. By 2004, the total number of displaced people, according to UN estimates, reached 5.5 million, which is more than %20 of the total population. The majority of immigrants and displaced people settled down in cities’ outskirts, practicing low skills economic activities, in line with their rural lifestyle, contributing to the ruralization of many cities, including Khartoum, which alone attracted around %49 of immigrants and displaced people.

## THE ECONOMIC REALITY:

Between 1999 and 2010, the accumulation of enormous revenues generated and retained by the oil production industry controlled economic growth. The economic activity grew by an annual rate of %6, and the GDP soared from 15 billion dollars in 1999 to 53 billion dollars in 2008, with peak rates in 2007 and a growth rate of %15. Throughout that period, the structure of the Sudanese economy moved from relying chiefly on agricultural exports to a rentier economy, with semi-total dependence on oil exports. As a result of the shock following the secession of south Sudan in 2011, Sudan lost almost %75 of its oil production, around %55 of its financial revenues, and almost two thirds of foreign currency revenues. Following the secession, the gold sector constituted in 2012 more than %40 of the exports’ value. In 2011 as well, the inflation rate reached %20, after the major decline in the 90s (%100 in 1996), and an average rate of less than %10 between 2000 and 2010, while it scored %44 by the end of 2012, because of the high prices of food products and the depreciation of the Sudanese pound.

According to the Sudan National Baseline Household Survey (NBHS) of 2009, around %46.6 of the Sudanese population is under the poverty line, and rates vary significantly between different states. The lowest rate was recorded in Khartoum, and rises to %62.7 in West Darfur. Poverty data reveal that the population categories most prone to poverty are the unemployed, the less educated, and individuals living in rural areas, working in the agricultural sector for their own account.

## EMPLOYMENT AND UNEMPLOYMENT RATES:

Results of the Sudan National Baseline Household Survey (NBHS) of 2009 indicate that the rates of economic activity reached %73, %48 for men and %23 for women. Men’s prevalence was recorded in all age categories, while women’s highest rate (%29) was recorded in the 35 to 44 years old age group, and the lowest (%14) for the over 65 years old category. The youngest category (15 to 24 years old) had the lowest participation rates of both genders (%30). Moreover, women unemployment rates were the highest in all age groups, ranging between %32 for the 15 to 24 years old age

category, and %14 for the age group 45 to 54 years old. As for the labor force distribution, %41 are employees, %34 are self-employed, %11 are in the unremunerated family business, %6 are in the paid family business, and %1 are employers and %8 unspecified. The majority of the labor force is concentrated in the agricultural sector (%36), primary occupations (%22), services and retail (%11), and manual industries (%8). These percentages reveal the agriculture based nature of the economy of the majority of the Sudanese population, and indicate the growth of the informal sector, as seen in the high rates of primary occupations and traditional industries (%30). The 2008 survey estimated unemployment rate at %15.9, double the rate of (%8) 1983), and a considerable increase from the 1993 rate (%11). Estimates of the Labor Force Survey reveal a percentage of %18.8 for the year 2011, during which the numbers of the unemployed reached %13.7) 1,750,000 for males, and %32 for females), %23.1 in urban areas, and %16.6 in rural areas. Major differences exist between unemployment rates of men and women, reaching %74 in urban areas, compared to %36 in rural areas.

## LABOR IN THE INFORMAL SECTOR

The notion of “informal labor” in Sudan was first used in the report of the International Taskforce, issued in 1976 and entitled “Growth, Employment and Equity: A Comprehensive Strategy for the Sudan.” In 1997, the committee on the informal sector, formed by the Minister of Labor, by virtue of Decision No 4 of 1997, provided a definition of the informal sector on the basis of encompassing “Micro production and services units, run by small producers working for their own account, with slight capital, low level techniques, very limited skills, and without access to organized markets, credit institutions, and usually at the margin of social protection and work legislation.”

The size and contributions of the informal labor still lack precise statistical data. Even the Labor Force Survey does not allow the extraction of precise numbers of the workers in the sector. However, some estimations, such as the report of the International Labor Organization (2014), show that around %65 of the labor force in the 25 to 54 years age group are involved in the informal sector, and 1 out of 5 people in the informal labor force is young, thus aged between 15 and 24 years old.

The African Economic Outlook (AEO) Report (2013), published by the Organization for Economic Cooperation and Development (OECD), indicated that around %60 of the labor force in Sudan work in the informal sector. It revealed as well a growing participation rate of women in the informal sector, especially in the framework of subsistence and small unregistered projects, and more particularly in activities pertaining to of food and beverages sales. Some reports estimated the percentage of women in the informal labor in the state of Khartoum at %56 of the overall number of working women.

## REASONS FOR THE INFORMAL SECTOR’S GROWTH:

There is a general consensus that informal labor constitutes a fundamental feature of the Sudanese economic scene, witnessing accelerated growth in the urban regions due to numerous elements, most important of which are conflicts, civil wars, drought and desertification, and the ensuing displacement and migration waves from rural to urban areas as a result of uneven development. Some literatures focus on the failing educational system and the wide gap

between education and the labor market, as the direct cause. According to this perspective, the root cause for the spread of informal labor is education policies which outcomes do not match the needs of the (formal) labor market, in addition to unequal development between the various Sudanese states, leading to internal migration from rural to urban areas, without the creation of decent job opportunities. These studies link the expansion of informal labor to the significant impacts of the formal inclusion programs, while poverty and unemployment rates soared, the purchasing power of the local currency plunged, and inflation rates more than doubled. The government’s implementation of the so-called “empowerment” policy also led to laying off more than 300,000 employees and civil service workers (the public sector) for political reasons. Thus, with the rise of unemployment, absence of any form of unemployment insurance, and decreasing job opportunities in the formal sector, many of the unemployed found themselves in the informal sector. Vulnerable categories enter the sector as a mean to generate income, while low income workers in the formal sector enter the informal sector seeking additional revenues to bridge the gap between their income and the cost of basic household needs.

## SOCIAL PROTECTION OF LABOR IN THE INFORMAL SECTOR:

The Labor Force Survey of 2011 in Sudan inquired on the extent of social protection and health insurance coverage in the workplace. %12 of workers stated that they are covered by the National Social Security Fund, while %74 mentioned the unavailability of a health insurance program through the workplace/employer. As for membership in trade unions, only %20 mentioned the existence of a union at their workplace; subsequently, %80 of the labor force in Sudan is excluded from any form of union organization. The most important amendment of the Social Security Law in 2008 stipulated that law provisions should apply to the self-employed and craftsmen. It could have also meant the law’s coverage of the informal labor; however the legislator opted for ruling out categories of this labor force, linking its inclusion to a decision of the Council of Ministers, which is yet to be issued. The National Social Security Fund believes additional obstacles impede the expansion of its coverage to reach informal labor, due to the uncertainty and sometimes the disruption of including these categories which impacts the steadiness of contributions’ payments, and the fact that following up and covering these categories requires considerable resources that might not be available to the fund. In addition, the subsistence economic lifestyle of these categories might make it harder for them to afford the contributions to the system’s membership. The absence or forced absence of informal labor is not only limited to social security coverage or the pension. This category is also absent from the coverage of the National Health Insurance Fund. Moreover, limited growth also constitutes one of the challenges faced by informal labor. Workers are often unable to access work insurance services, especially since their workplace environment, such as the markets, are unequipped with firefighting systems. Any incident threatens the full interruption of these activities, without any compensation from any institution or insurance agency providing insurance against this type of projects’ hazards.

## INITIATIVES TOWARD THE INFORMAL SECTOR:

The “Mobile Training Centers” initiative is one of the government or semi-government initiatives that provide service to the sector. It is used by the “Youth Stability Projects” in the state of Khartoum that trained informal entrepreneurs in the fields of cars maintenance, forges, carpentry, and electrical maintenance. In addition, the workers’ union initiative in the state of Khartoum submitted a bill to organize informal economic activity by agreeing with authorities in the state of Khartoum on many measures that included covering workers in the sector with health insurance and social security. The Initiative of the Sudanese Women’s General Union (SWGU) organized 1,000 women working in tea sales, by creating cards for every worker and enlisting them in the health insurance system. However, we believe that this initiative was unsuccessful because of its implicit assumption of redirecting beneficiaries toward the formal sector. Finally, the experience of providing health insurance coverage to women tea sellers in the city of Al-Fashir, in the state of North Darfur, was partially successful but lasted only one year (2006- 2005). The most important civil society initiative is the Initiative of the SIHA Network (Strategic Initiative for Women in the Horn of Africa - SIHA), the “Invisible Labor” project between 2012 and 2016, targeting displaced women working in the informal sector, and encompassed training workers to organize themselves in cooperative associations to help them advocate for their rights, protect themselves and develop their skills to compete in the market. The initiative of Awadeya Mahmoud, founder and head of the cooperative of tea and food sellers and the Women’s Multi-Purpose Cooperative, allowed for the constitution of a league of defense of women in the informal sector which addressed the challenges they confront.

## WOMEN TEA SELLERS IN KHARTOUM:

A random sample of 185 women tea sellers was chosen from Khartoum, Khartoum Bahri, and Omdurman. The survey primarily targeted information on educational levels, origin, available types of protection, organization (membership of unions), types of support provided by the official institution and civil society organizations, types of harassment by the authorities (the police), among other challenges. Results of the survey revealed that (a) tea selling is the only occupation of around 92% of female workers; (b) 58.3% of the workers earn over 100 Sudanese pounds per day, 28.2% earn an income ranging between 50 and 100 pounds, 11.4% gain between 30 and 50 pounds, and only 11% earn less than 30 pounds per day; (c) 57.3% pay fees to governmental agencies; (d) 62.2% did not receive any support from government institutions or civil society organizations; (e) 71.2% were subjected to police campaigns despite the fact that the majority of them pay the fees to the local authorities; (f) 86.5% are not covered by health insurance; and (g) 92% do not belong to any association or trade union.

## NOTES AND CONCLUSIONS:

The informal sector in Sudan is characterized by diversity because of the environmental and geographic differences, which define lifestyles and types of activities and production, and thus the quality of the workers in the sector. In addition, cultural diversity constitutes a vital element in defining the type of demand and the offer’s quality. Qualitative changes are still ongoing in the sector because of the internal factors (competition, knowledge enhancement, and cultural interaction), and external factors such as variations in natural conditions, macroeconomic changes, and the instability of the

state’s economic policies. The state’s interest in formalizing the sector, as is the case in the majority of states, is based on increasing taxes and collection, rather than development, further alienating sector workers from the formal sector. In addition, formalizing the informal sector might deprive it from its flexibility. All studies on the informal sector concluded that workers are not protected and confront difficulties in accessing services because of long working hours, which prevent them from benefiting from basic services, such as education, health, and care. Given the sector’s type, workers are unable to join any trade union to maintain their rights or bargain with state institutions to protect them during work, or a mutual cooperative body, which usually ensures support when needed.

## CHALLENGES FACING THE SECTOR:

Results of the study on the tea sellers sample reaffirmed five main challenges confronted by the informal sector in Sudan, most importantly (a) unclear scope of the informal sector; (b) absence of creative financing mechanisms, especially following the failure of the micro financing institutions to prove their efficiency; (c) the hesitation of the private sector to support the informal sector; (d) fragile improvement and progress culture due to the ease of entering and exiting the sector, in addition to the lack of need for training or entry competence; (e) weak or inexistent skills and low competence, since weak education and lack of training make workers in this sector more prone to exploitation, especially women and girls. In addition, with the lack of adequate knowledge of the rights, laws and procedures, they are incapable of defending themselves and their work.

## SECTOR’S CONFLICTS:

A set of conflicts revolve around and inside the informal sector, making it difficult to adopt plans or programs to contain it in the formal sector or increase its efficiency for the economy. Among them: the government’s continuous attempts to control and outline the sector by imposing registration and fees through campaigns called Keshat, the internal conflict between competitors inside the sector given the limited available activities and skills, and the incessant influx of participants, especially women, constituting the major share of newcomers. Moreover, a conflict rages between civil society organizations trying to support workers’ rights and improve their skills, and the authorities’ suspicion and distrust of these activities, as acts of incitement and opposition. A permanent conflict also exists between the sector and employers in the formal sector, inciting authorities against workers in the informal sector. More recently, another layer of the conflict surfaced, between traditional workers in the sector and newcomers, mainly educated workers and foreigners newly entering the sector. A considerable number of Egyptians and Syrians entered the sector, the majority of whom work in distributing relatively advanced imported commodities compared to the products of the traditional sector, in addition to the usage of this sector by some employers to establish distribution networks of the formal sector’s commodities, to guarantee their circulation, and evade government taxes and fees. Nonetheless, the sector was influenced by the economy’s consumption pattern and responded to the changes of commodities’ quality and the services it provides that are no longer only traditional or local. That is due in part to the formal economy’s exploitation of the informal economy’s efficiency in distribution and circulation. Even women activities, known in the sector for their traditional products, initiated new practices in some regions such as food delivery, make-up, and hairdressing at homes.

## RECOMMENDATIONS:

- Cater to the needs of workers and economic units in the informal sector from the perspective of decent labor, according to the recommendation of the International Labor Organization Conference (2002) while focusing on complementarity as the basis for all policies and interventions.
- Found programs to support the sector on the basis of non-exclusion (social integration), protection and services provision. Regardless of the reason to formalize the sector, such as increasing the efficiency and contribution of the sector in the national economy, these effective strategies ought to support and develop the sector, and sensitize authorities and the private sector on its capabilities and its workers’ rights, organizing workers in the sector, implementing technical support and training programs, and enhancing the financing opportunities and chances to access information.
- Forge alliances and establish networks of sector workers, linking them with civil society organizations in order to empower and enhance the civic skills of workers in the sector.
- Fund projects that sacralize funding efficiency (adequate amount) instead of subsistence (humanitarian support), to enable workers to break free from the subsistence circle and develop their socioeconomic conditions.
- Benefit from the educated workers who integrated the sector to organize workers, introduce them to their legal rights and connect them with the official institutions, in order to create an internal dynamic, generating change and development.
- Organize the relation between the formal and informal sectors on the basis of mutual benefits, instead of perpetuating aggression and exploitation exercised by some private sector institutions to distribute their products and evade from settling the official taxes and fees.
- Work on granting the informal labor force the enjoyment of social security, decent employment conditions such as determined working hours, minimum wage, occupational safety and health, work injuries insurance, and health insurance services, all considered basic human rights of the workers in the informal sector and which should be one of the state’s most important duties towards its citizens. This duty imposes first the elaboration of legislative frameworks enabling informal workers to establish trade unions, cooperatives and leagues, which should assume the role of the representative or mediator between workers and social security institutions. This duty requires civil society organizations to work as well on organizing and raising workers awareness in the sector, and provide the needed advocacy for the issuance and implementation of pertinent laws.
- Conduct in-depth studies on all the components of the informal sector to identify its real contributions to the national economy and the labor market, and to determine the best options for the sector’s actors and the economy, whether integrating the formal sector, an option championed by financial institutions and state’s policies, or developing the sector to increase its economic efficiency.