# Trapped in the Informal Economy: Is there any Hope for the Youth?

**By George Njoroge**

*Article published in: Nebe, J.M., Danner, H. and Makau, M.K. (Eds.) Youth Unemployment in Kenya: A Ticking Time Bomb. Longhorn Publishers Ltd, Nairobi.*

## Abstract

*In Kenya, urban poverty and informalisation of employment and economic activities have grown rapidly, presenting huge challenges for the government. The article describes the increasing engagement of youth in the informal economic realm in urban areas of Kenya. Conditions in some of the informal sector activities in which the youth have occupied including boda boda (bicycle and motorcycle) and matatu (public service vehicles) transport services, hawking, the jua kali sector, water, sanitation, waste collection and disposal services, recycling as well as social enterprises in the slums are illuminated. Key conclusions are drawn by emphasising the urgency to address the plight of the youth and opportunities available for formalising the informal sector.*

## Introduction

The huge influx of unemployed youth from the countryside to urban areas that has led to a rapid upsurge of urban populations is an issue of key concern to the Kenyan government. The exodus of youth from the rural areas has its social, cultural and political triggers and heightened by economic drivers. Urban centers have gained reputation as havens of opportunities and the emigrants are bent on tapping into what they have to offer, intent to pursue a better life. But majority end up in slums and low income suburbs where they exacerbate the serious well-being problems that are a hallmark of urban life in Kenya including: unemployment, poverty, ignorance, disease, inequality, tribal conflicts, hunger and crime. Add to this political ineptitude and the results are terrifying. Kenya is reputed to have one of the most unequal societies in the world; close to half of the population still cannot afford a decent meal and school enrolment remains low, compared to other similar or worse economies in Africa despite the much touted ‘free education’.

In Nairobi, two main images stand out in marked contrast to one another. The first is where the elite of the city live in - well-planned suburbs with open spaces, wide, landscaped boulevards which dominate the city's physical layout. Then there is the "self-help city" of make-shift housing, which although occupies a paltry 10% of the total land area, it hosts two thirds of the city’s population which is expected to have significantly risen above the 3.2 million people recorded during the (Kenya National Bureau of Statistics) 2009 national population census. Naturally, informal housing and small-scale businesses are attracted to the large number of open areas in the city's upper income areas. This leaves the dividing line between Nairobi the garden city and Nairobi the self-help city with no clear demarcation. These urban problems have been aggravated by corruption and kleptocracy. Just like bad viruses, these vices have kept adjusting their DNA to suit the prevailing political and economic environment.

## The slum economy

Majority of the youth in urban areas end up working in jobs of extremely low-productivity. A significant number works as casual laborers earning poor wages. They rise early in search of all manner of work often menial and in factories and construction sites. They hope to catch the eye of a sympathetic foreman for a chance to get the day’s job. Some say they rise early to avoid seeing the heart breaking reality of living in penury that comes with daylight. They walk purposely in all directions early in the morning and then again late in the evening when it’s time to retire.

The increasing concentration of people in the slums has enabled thriving micro and small enterprises. A significant population of the youth ekes a living from the micro-enterprises that constitute the main arteries of slum access; dealing in various goods and services that are consumed locally. It is common place that slum populations meet much of their consumption needs locally. On the sidewalks young men and women sell a range of food stuffs. Something that has become a way of life: the shadow city’s equivalent of the fast food industry.

## Civic engagement

The growing strength of civil society in the country has provided new avenues for poor, particularly the youth to demand services and accountability by political and government leaders and to exert influence on policy. A number of youth led initiatives have been instrumental in generating political will and accountability, uplifting the socio-economic well-being, leadership and governance capacity in low income communities. These civic engagements and social enterprises are generated by residents or sometimes by external agents and; they have gained a great deal of local acceptance and support. The initiatives employ innovative approaches and leadership input and attract both the young and older community members by providing them with opportunities for involvement, participation and airing their views.

Some of the most notable efforts for improvement in community well-being where the youth have prominently featured include accountability check on government administrators and elected leaders. They have also been instrumental in enhancing political awareness and participation, aiming to clarify the kind of change they want and, by that, convince their native communities. Essentially, these social enterprises can provide opportunities for youth to live proactively, packing their lives with activities that bring the much needed but relevant social transformations as well as in other stewardships roles in their communities.

## Urban services

Urban basic services, such water, sanitation and solid waste management have been historically considered the responsibility of local or national governments. But in the last twenty years, a re- alignment in the provision of these services has occurred as a result collapse of systems in municipal services. New forms of collective community organisation have begun to emerge in urban poor suburbs. Social and infrastructure development projects are being initiated through such self-help efforts often championed by the youth and more often than not funded by external agencies. Crucial services such as community ablutions and water points are some of the successful projects the youth have initiated in slums, all efforts that promote community and neighborhood development and well-being. There is however a great urgency to develop stronger mechanisms to foster completion and sustainability of these important projects.

In many slums and low incomes areas youth have formed groups to offer waste collection and disposal services. The impact these initiatives have in promoting cleaner neighborhoods largely depends on service effectiveness - the quality of waste collection, its frequency and reliability. Comparatively, lacking inappropriate equipment coupled with inefficiencies in waste collection, the informal sector of solid waste management (SWM) is still deficient in the densely populated areas it serves. Waste disposal facilities are unavailable, exacerbated by lack of provision for transfer stations. Collection, transport, and disposal are thus often poorly managed and chaotic. For example, waste pickers board open waste trucks on their way to dumpsites and, pick waste

out of the top of the moving trucks, discarding and littering the valueless scraps along the way. Most of the waste collectors engage in reckless dumping in easily accessible spaces; resulting in mosaics of rotting, smelly and unsightly heaps of garbage particularly in low income areas. Open burning of waste and control of dumping by cartels is also common. However, despite its shortcomings informal sector SWM makes a strong contribution in the cities densely populated settlements.

## Waste recovery and recycling

Scavenging for waste materials in garbage is also common in low income areas. The degree of scavenging is more intensive at the municipal waste disposal sites such as the Nairobi’s Dandora dumpsite. Youth aged between eighteen to forty years form the majority of waste pickers in the dumpsite although there are children as young as ten active in the industry. Waste picking is often undertaken as a survival strategy and by that, a way to collect and resell a diverse range of discarded materials including plastics, scrap metal, cartons, bones, bottles, glass and ceramics, textiles, paper and cardboard, leather, rubber, wood and construction wastes, items like batteries, and also hair weaves, used motor vehicle oil and organics.

The waste pickers also use the dumpsites as sources for meals. Grit from ash covers the feet of the waste collectors up to their ankles, and embers beneath the ashes can cause severe burns. Infectious waste and disposal of hazardous waste is common. Activities such as waste picking, sorting and certain pre-processing and recycling operations thus lead to occupational health and environmental risks, despite their environmentally and socially beneficial aspects. And while a source of income for thousands, the indignity of human beings scavenging shoulder- to shoulder with Marabou Stalk birds and pigs is disheartening to say the least.

Waste pickers and dealers illegally control the dumpsites that are owned and operated by the city authorities, forcing them (city authorities) and private companies to ‘bribe’ to access the dumpsites. Moreover, the dumpsite waste economy which is worth a fortune breeds skirmishes involving youth gangs fighting over the control of the ‘waste wealth’. The violence may at times take an ugly and murderous twist spilling out and exacerbating an already compromised security situation in the surrounding residential areas.

The waste pickers sell their daily collections to middlemen who in turn sell the waste to industries whereby exploitation of the waste pickers by the middlemen is prevalent. Waste picking, is nevertheless becoming an organised activity consisting of networks of waste pickers, middlemen and processors. Waste pickers, itinerant buyers, traders and small-scale recyclers carry out their activities in close cooperation and conflict. Waste processing factories located in Ruiru town, Ruaraka and in the Industrial area in Nairobi utilise the bulk of materials recovered from waste. Small-scale value addition and product development that consume a significant volume of waste as well, particularly plastic and scrap metal, are also done at Kariobangi Light Industries, an innovation hub located in the Eastland that is utilised by the youth.

Small-scale recycling activities conducted at Kariobangi Light Industries are driven by locally developed technological innovations and the quest to develop products that can be used locally. Besides recycling products, there is a variety of other products that are produced through skills and technologies nurtured in this light industrial park. Consequently, it has created employment

for a significant number of youths both directly and indirectly. Hubs such as Kariobangi Light Industries could be one of the most successful models for promoting youth technological innovations; and it could be the answer to unnecessary importation of products that can be produced locally. However, the hub’s sustainability cannot be assured as the limited space has been invaded by residential premises, schools, hospitals, financial institutions and a host of other micro-enterprises.

## Other informal opportunities across the urban terrain

Another category of youth walk for miles a day and hawk merchandise, mainly counterfeits from Asian countries. Such hawking of merchandise and other petty business around urban centers have grown to be a dominant ‘employment sector’ for urban youth. Indeed informality is about stretching ingenuity to its elastic limit and this supported by the fact that at any given time thousands of other youth are ready at a moment of notice to take up the positions held by their peers. Yet there’s another category of youth that is camouflaged in the informal economy - the kind you cannot see signs of; the kind that don’t look primed for crime; the kind that will pounce on you.

Much of the country is gradually opening up through an improving network of roads that link rural areas with urban centers, generating economic activities, though many of them informal. The public transport sector dominated by road transport popularly known as matatu industry) is also expanding to accelerate the growing movement of goods and people across the country. The national transport safety authority estimates the number of matatus operating on Kenyan roads to be over 100, 000, registering a growth of 40% in ten years. Thousands of youth have found work as matatu drivers and conductors in this sector, one of the largest informal sector in the country. Many others including matatu route organizers, managers for bus companies and motor vehicle mechanics also make a living in the transport sector.

While being a prosperous industry, it is also among the most corrupt in the economy. Traffic law enforcers collect hefty bribes every day in exchange for leniency towards traffic offences. The mobility of people and goods has also been enhanced by informal motor cycle and bicycle transport popularly known as *bodas bodas.* All over the country youth can be found waiting at strategic locations to ferry people and goods for short distances. Despite corruption, the growth in the informal transport has contributed significantly to efficiency in micro and small enterprises. It has also absorbed thousands of youth who would otherwise face unemployment and poverty.

Markets such as Korogocho, Gikomba, Kangeni and Muthurwa in Nairobi; Kongowea in Mombasa, Kibuye in Kisumu etc. specialise in fresh farm produce and new (imported from Asian countries) and second hand clothes (from Europe and America). As such these markets have become a major economic hub for the youth, though many of them are rather disorganized and poorly managed. The jua kali workshops such as Burma in Nairobi specialise in producing goods such as iron ware and attract significant proportion of the youth population. However, the sector contends with the thriving cheap imports from Asian countries. Thousands of other youth have invaded the urban centers to hawk all manner of merchandise, positioning themselves in every convenient street.

It is cat and mouse business as urban authorities relentlessly fight this ‘menace’. During operations to get rid-off hawkers from the city streets, the perpetrators are harassed with ruthlessness by on the duty county askaris backed up by police. The cleanup is driven by the mentality that hawkers ought to find alternative work and that doing so is a viable option. The urban security guards on the other hand, benefiting from the police support and back up sets upon the youths, often assaulting them and confiscating their wares. Police also occasionally open fire on hawkers leading to deaths. Establishing hawkers markets such as the Muthurwa market in Nairobi has not sufficiently eased street hawking in Nairobi as the number of youths ardent on making a quick buck from the increasingly fast paced economy in the streets rises by the day.

Those who can raise capital have managed to rent stalls that have been created by partitioning of shops, a wave that has crept in many towns and cities in Kenya. The stalls trade in merchandise manufactured in South East Asia countries and comprises of mobile telephones and their accessories, electronics and clothing.

## Recession in the informal sector

Business volatility is a common feature of informal economies. At certain times of a month, likely related to when workers are paid salaries, businesses boom with high demand for goods and services. However, good times are followed by downturns within the same month and economic activity can quickly slow as many are unable sustain themselves for more than a few days. For example, a motorcycle operator who provides transportation services in the slum can make enough income for sustenance if he makes twenty trips a day. However, during the slow periods of the month, demand for his services might be half these meaning he won’t earn enough to put food on the table. In the same slum, there is a grocer facing similar problems of low sales, and who needs transportation services for her goods. Yet, both slum traders don’t get enough business during the slow periods and therefore have to go without certain goods and services at points in the month.

In an effort to address these cyclical recessions, residents of informal settlements are resulting to complementary currency. American economist Will Ruddick for instance came up with vouchers known as Bangla-Pesa to serve as a medium of exchange in the Bangladesh slum in the city of Mombasa. The Bangla-Pesa voucher—appropriately named as it is only accepted within the confines of this particular slum— is used by traders and service providers to conduct business. Unlike vouchers that are used for a particular good or service, Bangla-Pesa coupons are accepted for many transactions and therefore represent a complementary currency that acts as a means of exchange in the slum and operate alongside the official currency. Ruddick is persuaded that the Bangla-Pesa program can cushion residents against falling below the poverty line during slow economic periods. He argues that the program can stimulate the local economy and assist its members in trading their excess capacity by providing a means to purchasing power even without formal currency.

But questions about the broader implications of using a complementary currency such as Bangla- Pesa remain unanswered. For example, could the use of such localized currency weaken linkages with other communities and the larger economy? What might be the impact on the economy be if many other slums in country or city adopt their own complementary currencies? Is this a

program that should be restricted or regulated? Is it a case of “bad money” driving “good money” out? These are some of the questions that should be explored before complementary currency programs face further growth in Kenya and other developing countries.

## The contrast with the formal economy

In Nairobi’s Central Business District and immediate surrounding areas, buildings continue to make a higher and brighter skyline. There is an increasing diorama of concrete and glass as the cities gradually become dotted by beautiful towers. The 1960s Kenyatta International Conference Center has been overshadowed by the forty storey Kenya Revenue Authority Towers a sign that the city is determined to become a twenty first century metropolis. These new elegant buildings give the city a new appeal, new business parks and shopping malls are opening up and flagship super markets have established a number of chains around the city. Apparels, electronics and many other outlets compare with stores in other international prosperous cities. Nairobi’s modern-day defining factor is no longer race but wealth, though this depends heavily on where one lives.

The narrative on informality may not resonate well if not contrasted against these bliss concentrated in the city center and elite city suburbs. Because behind this glitz, glamour and hype at the heart of the city, a different reality lurks in the low income areas. The youth inhabiting the slums and low income suburbs have been pushed out of opportunities in the formal economy and engage in ludicrous informal industries and it is this plentiful supply of all manner of cheap casual labour that sustains the city. Though, the cheap supply of labour actually supports the formal economy, the two economies exist in parallel. Many of these engagements by youth in the informal sector amounts to what is known in economic language as the ‘disguised unemployment’. The youthful emigrants to urban centers permeate the gaps and peripheral edges in the formal economy. Consequently, the town and cities have become a dumping ground for the surplus population from the countryside instead of the envisaged hub for growth and prosperity. And it is lack of concerted measures that has allowed too many people to resort to these informalities.

Analysts concur that a thriving informal sector is something that is being fêted or disguised as an acceptable system; rather than treated as an absurd trend where informalisation of the economy is growing faster than the formal one. A collective urban culture cannot bloom in an urbanism maintained by socio-economic exclusion and exploitation. Thus life in the country’s cities and other major towns is thus different things to different people. The rich LIVE (Lavishly Imbibe from Vast Endowment) while the poor STAY (Survive Through Adversity for Years) in the cities.

## Conclusion

Kenya citizenry generally and youth in particularly long for social and economic improvement and the government should demonstrate that there’s adequate political will. The youth have awakened to fact that globalization is re-organizing economies; rewriting them in dramatic ways. They resist to be left behind or to become losers of globalization. The national and county governments should give the youth a chance by working in connection with urban development. Without an all-inclusive economic growth, Kenya will remain in the hole of ‘arrested development’. In the slums and low-income areas, a sustainable solution of the indignity of poor

living conditions is imperative for the achievement of peaceful communities in our towns and cities.

The Government of Kenya has set up programmes to foster the youth, and other chapters in this book discuss them. It seems important that the government also develops some key sectors of the economy to create opportunities for the youth to invest in. There are many opportunities in the informal sector whose rapid growth in the last decade makes it a frontier of economic success for the youth. Therefore, a good part of the informal sector has the potential to keep this role if its operations are formalised and well organised.

One example for investing in youth is developing innovation hubs such as Kariobangi Light Industries. This viable model should be replicated in other parts of the city and in other urban centers in order to open up opportunities for the youth. Another opportunity is in waste management in towns and cities and; the long overdue integrated Solid Waste Management Plans are a prerequisite in moving from waste management into resource management, enabling the realisation of healthy, safe, secure, dignifying and sustainable solid waste management systems with plenty of opportunities for the youth.

In the matatu industry, reform was set reforms in motion through the Transport Licensing Board regulations in 2006. However, this gains are have slowly been eroded as plans to consolidate them were not been put in place.

A healthy growing nation renews itself through its youth who, if given the opportunity, bring in new ideas and determination. It takes a great will, though, to initiate the necessary improvement in this area.