

# Strengthening Small and Medium Enterprises to Address Youth Unemployment Crisis in Zimbabwe

After years of Mugabe's anti-Western rhetoric closed Zimbabwe's doors, his successor Emmerson Mnangagwa declared the country 'open for business'. After such a long period of looking inward, this could be a chance to rebuild the economy through large-scale investment in the private sector, particularly small and medium enterprises (SMEs). With massive rates of youth unemployment in the country, SMEs could be integral in creating jobs for young people. However, the quality of jobs in the sector can be very poor and often fragile. While Zimbabwe continues to go through an uncertain time, any new leadership must utilise the potential of SMEs to tackle the unemployment crisis, while creating an environment to ensure that the sector can thrive and provide decent work for Zimbabwean youth.

## The 'youth bulge' in Zimbabwe

Like many African countries, Zimbabwe is experiencing a significant 'youth bulge'. However, due to protracted socioeconomic and political crisis, many graduates struggle to find employment in the public sector. The thousands of university graduates add to the already staggering unemployment rate which is estimated to be above 80 per cent. In fact, young people (15–34 years old) constitute 84 per cent of the unemployed population. This trend continues to increase.

In this context, Zimbabwe confronts a pressing and debilitating youth unemployment and underemployment challenge. In the face of dwindling employment opportunities, degree inflation, and systematic youth marginalisation and exclusion, many youth talk of 'arrested futures and blocked aspirations'. Unemployment, idleness, and frustrations explain the massive youth involvement in the 2016–17 nationwide protests which paved way for the military takeover and the eventual overthrow of Mugabe's almost four-decade-long rule.

The disgruntled and unemployed youth present a potential security and development threat, not only to their country but also to other countries in Africa and globally, so addressing the youth employment crisis is not only essential, but also urgent.

## Is Zimbabwe truly open for business?

In 2017, after 37 years, Robert Mugabe, the former president of Zimbabwe was overthrown through a military coup. His former deputy, Emmerson Mnangagwa took over the presidency. During his inauguration, Mnangagwa made two promises: to rebuild the economy and to create jobs for the

millions of unemployed and underemployed youth. Mnangagwa introduced the new mantra 'Zimbabwe is open for business'. This was a radical policy shift from his predecessor, Mugabe, who once declared to Tony Blair, the former British prime minister: 'Keep your England and I will keep my Zimbabwe'. While the change of leadership presents a clear opportunity, any new leadership will face significant challenges.

Zimbabwe's protracted economic and political crisis triggered a shift from large-scale corporates to small businesses. This was due to a series of anti-investor policies such as the Indigenisation and Economic Empowerment Act. These policies inevitably pushed many large-scale corporates out of the country, which saw a massive deindustrialisation and destruction of jobs in the country. Both the Mugabe and current governments have sought to encourage entrepreneurship and establishment of SMEs, and this sector is now dubbed as the largest employer in Africa. However, despite the potential role that the SME sector holds in addressing youth unemployment, it has hardly received any meaningful financial or other forms of support to flourish and expand.

Another major challenge is the heavy Chinese presence in Africa, which creates serious competition to local SMEs. Chinese small businesses not only sell cheap goods, but also tend to employ very few if any local people. As such, many SMEs confront a myriad of serious challenges which undermine their growth and capacity to create more and decent jobs for young people. Many SMEs also lack collateral security required for them to access loans from banks and other financial institutions.

## Is any work decent work?

While SMEs could be a potential solution to the youth unemployment crisis, the nature of the jobs created and the type of young people looking for jobs, often graduates, mean that it could exacerbate underemployment. Indeed, many young people with undergraduate and master's degrees work as till-operators, shopkeepers, cleaners, and waiters/waitresses in retail and hotel SMEs.

Some young people manage to navigate anxieties of everyday life, meet social obligations, and earn community respect and recognition through engagement in the sector. For instance, through the money they earn in the sector, many of them are able to financially support their kinsmen by paying their school fees. Others also contribute to family income and reduce their dependence on parents. But many youth work in poor and unpleasant conditions. Jobs can often be in hazardous spaces without any protective clothing, working long hours, and are poorly remunerated. This is particularly the case with labour-intensive SMEs in manufacturing, carpentry, construction, and agribusiness.

In the absence of government support, SMEs tend to have serious decent work deficits, offering casual, precarious, insecure, poorly paid, and inadequate jobs which do not meet the growing demand. As a result, the majority of the firms have largely remained micro, survivalist, and sometimes short-lived.

The SME sector is also extremely politicised. Political affiliation often mediates who gets what, who gets employed, and who has access to important resources. Indeed, ZANU-PF deliberately took total control of the SME and informal sector as a strategy to establish patron–client relationships with youth and cement political mileage. Youth with social networks and connections within ZANU-PF often monopolise the few available resources. Thus, Zimbabwean youth have to simultaneously navigate lack of jobs and partisan politics. Partisan politics mediates the dynamics of inclusion and exclusion in the sector.

Both SMEs and young people employed in the sector confront a myriad of challenges, which makes it difficult for SMEs to have meaningful impact in creating adequate quantity and quality of jobs.

## Policy recommendations

### 1. Provide access to finance for national SMEs

The new government should provide access to finance for SMEs that commit to employ more young people. Such SMEs could be assisted to access loans since most of them lack collateral security required to apply for business loans. For some SMEs, the government could also reduce tax on the goods SMEs import for business.

### 2. Government should play watchdog

The new government should come up with mechanisms of monitoring work conditions in the sector. It has to be the watchdog on a number of issues to ensure that SMEs comply with minimum wage in the sector as well as to monitor labour practices. This may ensure that jobs created are more decent, secure, and sustainable.

### 3. Provide protection to local SMEs

In the face of unfair competition from cheap, imported products, local SMEs should get state protection and subsidies. This would ensure that SMEs do not struggle and collapse.

### 4. Reform retrogressive legislation

Leadership should either reform or repeal anti-investor legislation to create an investor-friendly and 'open for business' environment for both large-scale private sector investment and growth of SMEs.

## Further reading

Gukurume, S. (2018, forthcoming) 'Navigating Precarious Livelihoods: Youth in the SME Sector in Zimbabwe', *IDS Bulletin* 49.5

Gukurume, S. (2017) '#Thisflag and #Thisgown Cyber Protests in Zimbabwe: Reclaiming Political Space', *African Journalism Studies* 38.2: 49–70

Gukurume, S. (2015) 'Livelihood Resilience in a Hyperinflationary Environment: Experiences of People Engaging in Money-Burning (*kubhena mari*) Transactions in Harare, Zimbabwe', *Social Dynamics* 41.2: 219–34

Oosterom, M. with Kache, C.; Mususa, D. and Pswarayi, L. (2016) *The Violent Politics of Informal Work, and How Young People Navigate Them: A Conceptual Framework*, IDS Evidence Report 198, Brighton: IDS

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