THE INFORMAL URBAN INDUSTRIAL SECTOR AND GROWTH: SOME THOUGHTS ON A MODERN MYTHOLOGY

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ABSTRACT

This paper attempts to examine the current view of the informal sector, particularly as stated in the I.L.O. report. It suggests that the I.L.O. view is optimistic in thinking that the informal sector can be made more productive simply through organisational changes in its relationship to both government and industry. It tries to examine the constraints that act on the informal sector and concludes that it is limited in its ability to transcend barriers to entry into the formal sector through lack of access to capital resources, and is unable to generate this capital from its own production surplus.

Two case studies are given, one of an informal motor repair workshop and the other of a successful manufacturer of beds.

The paper concludes that these constraints disqualify the informal sector from serious consideration as a dynamic growth point in the economy of Kenya.

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> Given a framework within which to function, informal economic activity on a small scale can strongly influence the structure of Kenya's economy, and can aid in the process of expanding the range of income producing activities needed for the rapidly growing population. (I.L.O. 1972, p. 226)

It is a widely accepted view that the informal sector offers a hope for growth in countries such as Kenya. It is also rather loosely assumed that by encouraging the growth of the informal sector, a more equitable society may emerge, through the development of a burgeoning industrial substructure. Thus, in a Third World context, capital intensive industrial investment is equated with bad, and labour intensive with good: for a nation must recognise that the cake is small, and it should therefore be cut as fairly as possible. There is a case, however, for saying that an apparently rational view of this sort works not only to the disadvantage of economic development, but unwittingly acts as the vehicle for an oppression far more subtle than that of guns and barbed wire or of that most up-to-date of villains, the multinational corporation.

A developing country such as Kenya plays the game by the now conventional rules: making a perfunctory, ritualistic obeisance to the philosophy of walking before running, and ostensibly subscribing to the received truth which links appropriate technology to the achievement of the just society. Meanwhile of course, any member of the Kenyan elite who has sense and some cash is busy in the exercise of his talents, and, more to the point, the exploitation of his neighbour's talents too. These are contrasts that a man of liberal persuasion finds hard to accept: an immoral phenomenon uncomfortably close to the methods and example of nineteenth century competitive capitalism. The libaral objective in the Third World is, after all, to help people avoid the mistake of falling into specifically capitalistic modes of production, which are known to be exploitative, divisive and wrong.

Wrong at least for Africans. The adviser is unhappily stuck with the moral misfortune of having to live with capitalism, since his own society is historically too deeply bound up in it all for him to opt out. And so he collects his fee, salving his conscience by telling Africans that poverty is something they must turn to advantage, by doing things in an 'appropriate' fashion. He believes that he is helping to build a just society, and exhorts them to spread the already thin resources of desperately deprived nations to the point of disappearance in a naive attempt to 'switch on' equality without developing the economic surplus to pay for its administration.

This may seem to lead us away from the subject of the informal sector, but a view such as that quoted at the beginning is a central part of the ideology of those who, with the best, but most ethnocentric motives possible, believe in organisational solutions to the problems of inequality, and who ignore the realities of capital accumulation and class formation.

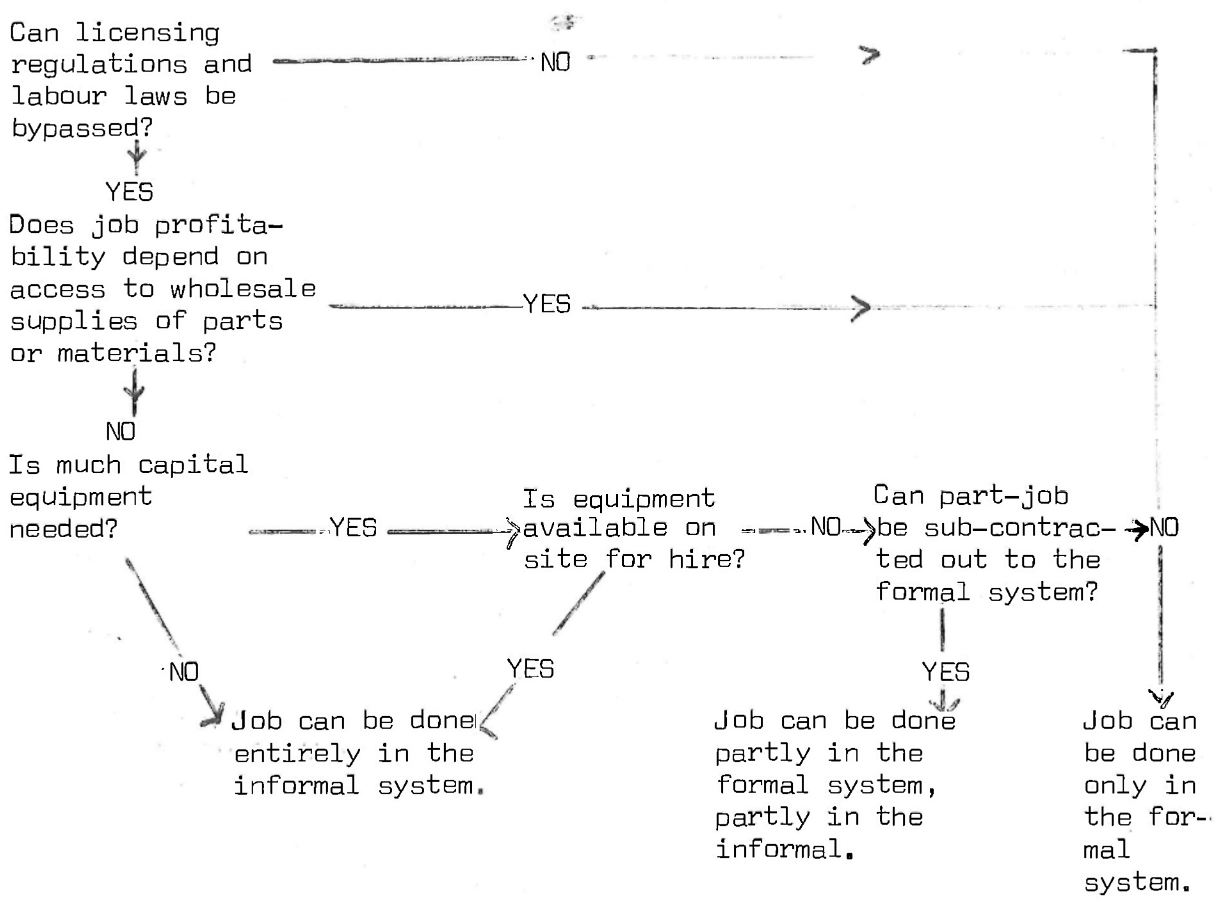
The informal sector should be seen as a passive response to the political and economic realities of Kenya. It represents a response to lack of opportunity in a situation where basic economic needs must be met, and its growth potential is dependent on factors external to itself, since internal opportunities for capital accumulation are almost entirely lacking.

In order to demonstrate why the current view is both misconceived and dangerous, it is first of all necessary to define what is meant by the formal and informal sector. Mazumdar states that '... formal sector employment is in some sense or senses protected, so that wage levels and working conditions in this sector are not available in general to the job-seekers in the market, unless they manage to cross the barriers of entry somehow...' (Mazumdar 1973). This definition has its attractions since it seems to be usable, but it can be argued that he is simply drawing distinctions between different styles of entry and exclusion, which in no way relate to the size of enterprise, nor to its basic mode of operation. It is my experience that many of the most obviously informal activities carried on in Nairobi <u>conform</u> to this definition of the formal sector, since at every level in Kenya barriers to work of one sort or another exist. As Kenneth King has shown, the building industry, which must be regarded as highly formal, has few barriers to entry at the bottom end, but wage levels are low (King 1973). It is an economic mechanism here that acts as a barrier to entry, since the rewards are simply unattractive. On the other hand, it is difficult to learn to be a mechanic in the informal sector, since there are training barriers that are expensive to cross. Mazumdar's definition is meaningless as an attempt to define a homogeneous style of activity. It does not, for example, enable a line to be drawn with any precision between the budding capitalist and the petty commodity producer - a far more basic line of cleavage, distinguishing as it does between dynamic and moribund forms of production.

It is an essential part of any consideration of formal-informal sector differences to look at the methods employed by various enterprises in order to understand their individual dynamic. By looking at extremes, such as Bata and the roadside shoemaker, an easy appreciation of the current definition is reached. In fact there is a wide variety of enterprises whose styles of operation are determined by the level of capital to which they have access. It is the barriers of access to <u>capital</u> far more than barriers of access to employment that tend to give definition to the informal sector.

There is in some quarters an assumption that the informal sector ates in parallel to the formal, and that a requirement of any intervention the operation of the informal sector must be to upgrade in some way its fficiency in order both to compete with, and also serve the needs of industry. The example of the Japanese motor car industry is sometimes used, where components are produced by an incredible variety of very small independent concerns. The critical difference between the working of the Japanese system and the informal system in Kenya is that all of these small businesses in Japan are capitalised to a much greater extent than their Kenyan informal counterparts, and cannot by my criteria be regarded as informal. In fact the under-capitalised nature of the Kenyan informal sector demands that in many cases there is a client-patron link to a higher level of capital, where an informal operator is forced o sub-contract out part of a job to the formal sector. Thus the motor mechanic must take components to the engineer whose expertise, time and machinery he must hire. The I.L.O. view that industry could become a client of the informal sector ignores the fact that dependency linkages tend to operate in precisely he opposite direction.

We can therefore draw a model which illustrates the linkages of his sector to a higher level of capital, and which also illustrates the possible blockages inhibiting its growth.



This model attempts to define some concepts of the informal industrial system and the way in which it interacts with the formal. It also illustrates the essential linkages between the two systems that permit the informal sector to extend its operations marginally beyond limitations imposed by shortages of capital. The model indicates a series of constraints that must necessarily be overcome or by-passed in order that work may be undertaken.

First of all, it is essential that an entrepreneur in the informal system be in a position to by-pass licensing regulations and labour laws, since to conform to existing statutes is expensive both in terms of fees and labour directly available for production. Generally this is done quite simply by just ignoring the law. The indirect effect, however, is to delineate the informal system more clearly, since investment in fixed premises and the establishment of a permanent labour force draws the attention of authority. When such a point is reached the option is either to make the enormous investment needed to establish the business at a formal level, or to seek a less conspicuous profile. Most informal businesses choose the latter alternative, since they are able to deal with marginal harassment quite cheaply through a system of bribery, and in any case do not have access to the capital required to break out of their informal mode of operation. This is particularly clear in the second of the two case studies. The fact that there are very few entrepreneurs who cross the line between the informal and formal sectors tends to indicate that opportunities for capital accumulation within the informal system do not generally exist on a sufficient scale to justify the belief that the sector has a strong potential for growth.

The second constraint is one which has no bearing on the level at which work is carried out, but more upon what types of work are possible. Some categories of work depend for their profit on access to wholesale supplies, although an integral part of the work may be in the installation on use of these goods. Motor vehicle maintenance is a case in point, where the formal garages make their profit not so much on labour charges as on the retail supply of materials and parts. We cannot expect to find, except very occasionally, an informal supplier of oils, grease and petrol, since the wholesaler is rigidly linked to a chain of formal retail garages. The charges made for servicing vehicles are so low in the formal system that no informal alternative is likely to emerge. It becomes clear that whole categories of work exist which cannot be undertaken in the informal sector, and that to some extent this sector is only capable of picking up work around the edges of the formal, in gaps that it is not worth a great expenditure of capital to exploit.

The third constraint is perhaps the most critical. The majority of informal manufacturing and service jobs require tools. In many cases these are simple tools, but frequently they are extremely expensive. Welders must have their cylinders, and painters must have access to compressors and spray guns. If these things are not available in the informal system for hire, then the work must be sub-contracted to the formal system. Equally it may be the case that whilst a large part of the job can be undertaken in the informal sector, certain parts of the job require specialised machinery work and must in essence be sub-contracted to the formal sector. Thus linkages are created between the formal and informal systems, the latter quite definitely in the role of client. If it is not possible to create such linkages, then it is not possible for the informal sector to undertake the work.

It is clear that the informal sector can only operate in parallel to the formal system in limited areas where capital constrainsts do not impinge, and is in fact excluded from many areas. Although I have pointed out three major constraints acting on the system, they all have their root causes in shortages of capital. In the first case, it is clear that the costs of conformity to licensing regulations and labour laws are high, and only worthwhile as a corollary of the ownership of fixed premises. This implies substantial capital investment. In the second case, access to wholesale supplies of material is generally only open to formal businesses. To accumulate stocks in the informal sector implies capital expenditure, not only for the purchase of the materials; but also in order that they may be securely stored. In the third case, the need for capital in order to purchase expensive equipment is obvious. It does not seem at all likely that such shortages can be overcome through capital accumulation at this level, since the competitive nature of this sector, both internally and with respect to the formal system, inhibits profit making and a high proportion of surplus is consumed in subsistence.

The attempt to elevate the informal sector with its compatible brand of technology to the status of an economic panacea is to ignore the truth that wealth is bred by capital. The egalitarian society cannot be built on a sector which does not produce a surplus for re-investment. Attempting to define and restructure the informal sector, in the belief that to do so will create economic growth, is simply to assume that by re-arranging a row of beans we will somehow end up with a sackful.

Economic development, if it is genuine, brings with it the growth of wage labour, and it is only forms of production that generate sufficient surplus that can lead to this outcome. The growth of a strong labour class has clear social consequences, and it is a species of oppression to encourage forms of production that cannot lead to this growth. Informal forms of production do not contribute to surplus, nor to the accumulation of capital, and act as a subsidy to industry by keeping down the cost of living for wage labour.

If the informal sector is to have any significance beyond that of a social palliative, it must have within it the potential to generate surplus. Since in the current debate the suggestion of capital assistance is largely ignored, we are thrown back on the laissez-faire hope that individuals will manipulate the economic system with sufficient success to accumulate enough capital to invest in industry. It is naive to hope that many such individuals will emerge from the bottom of the heap. Only those with access to the powers of the state and the multinational corporation - the alleged and elusive comprador class - are in a position to create and protect a worthwhile industrial investment which holds out any hope of growth and the emergence of any positive conflict between the institutions of capital and the mass of the poor. The suggestion that organisations such as the Industrial and Commercial Development Corporation (I.C.D.C.), the Kenya Chamber of Commerce, the Kenya Federation of Employers and the banks inhibit the growth of the informal sector by witholding services, information and credit (Kabwegyere 1977) will not greatly help in coming to an understanding of the problem, since the institutions put to blame are either inadequate for the job or structured to serve the needs of capital.

The informal sector is only a response to the needs of the urban poor, and not a seed from which can spring the flower of urban economic salvation. Its size and the fact that it employs increasing numbers of people are not so much signs of growth potential, but more an index of the increasing numbers of urban migrants whose needs must be served inexpensively. It would serve the hungry of the earth as well to suggest that they eat cake as to encourage the view that the informal sector is any solution to the problems of deprivation, inequality and underdevelopment.

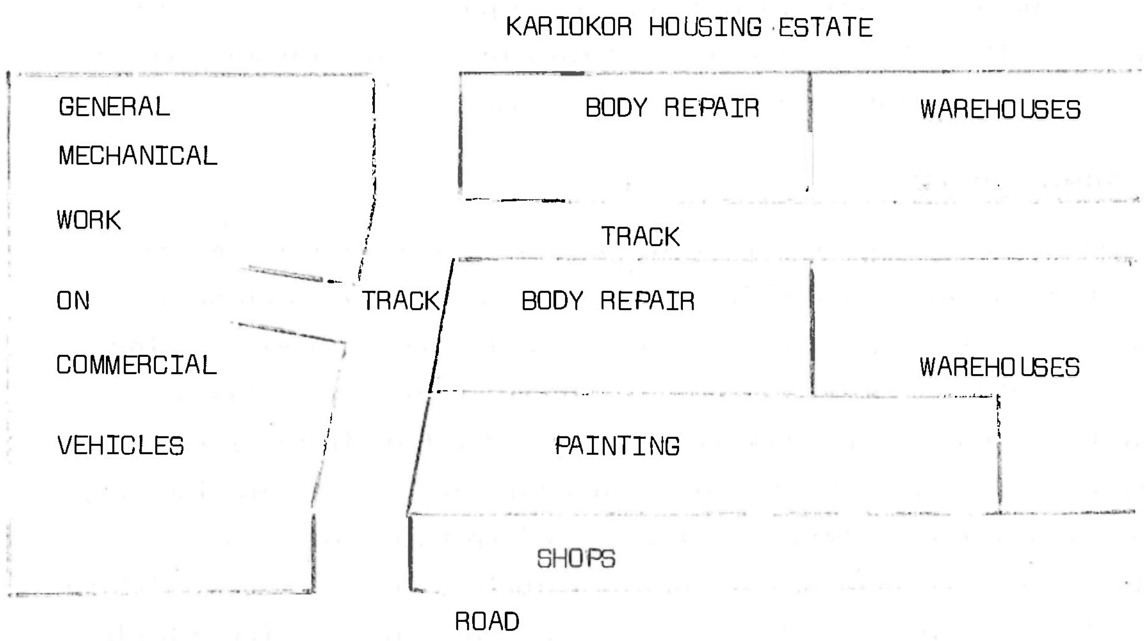
The two case studies which follow are examples in which I hope to show the essential heterogeneity of the informal sector, both in terms of its internal organisation and also in terms of its linkages to the more formal system. Both of these case studies are attempts to show that problems of capital accumulation are enormous, and that relationships with authority are widely regarded as inhibiting. They are also designed to show that this informal level of activity responds to a level of demand that in itself tends to define the limits of what is possible in the informal system. The second case study, however, is chosen with an additional purpose in mind, since in many respects it is not typical of informal sector operations. The aim is to show that even when an entrepreneur in the informal sector is highly successful, the maximum development potential he achieves is still not sufficient for him to break down the barriers to entry into the formal section. Generally, however, I have tried to show that the informal sector serves a particular stratum of society that is economically deprived, with limited purchasing power. This, taken together with the intense competition within the sector, clearly subjects the level of activity possible to severe limitations.

MOTOR CAR REPAIR AT GIKOMBA

Gikomba is an area lying approximately half way between the Nairobi city centre and the northern end of the industrial estate. It is an area in which there is a wide variety of African entrepreneurial activities. The ubiquitous general stores line the roads, together with oil drum sellers, woodworkers and timber merchants who reclaim scrap wood from industrial packing cases. There are also some general engineering companies, a plastics factory, a furniture factory and a coachwork enterprise, all operated by Asians. Behind the shop fronts there is an area of approximately four acres, stretching up to Kariokor Estate, which is given over entirely to informal motor vehicle repair. Very little motor vehicle maintenance is carried out on this site, since, as mentioned ealier, the informal sector does not have access to wholesale supplies of materials and parts which would make this activity profitable.

Of all the allegedly informal activities carried on in Nairobi, motor vehicle repair seems most suited to the informal definition, lying at the extreme end of the formal/informal continuum, and there are few forms of repair work that are not carried out on this plot. Cars are rebuilt from almost total wrecks, lorry engines stripped and repaired, wheel bearings replaced and suspension systems overhauled. The one significant area of work missing at Gikomba involves the electrical systems of motor vehicles, and the reasons for this will be explained later.

There is a profusion of welders, panel beaters and painters, whose spray tests on the walls of the shops below have made a colourful patchwork, seen through a haze compounded of sun, noise, dust and movement. The whole area is littered with wrecks, which are converted into tool stores and premises - each small entrepreneur creating a laager of his own, from which he ventures out into the hubbub around. At first sight Gikomba is a noisy, hot confusion, but a closer look reveals a suprising degree of order and organisation. The plot is clearly demarcated into zones in which activities of a closely related sort are carried out, and these zones of activity are juxtaposed in a logical fashion, minimising travel from one to another. For example, the body repair specialists are sited next to the painters, whilst commercial vehicles, brought in for mechanical repairs, are separated entirely. The map below shows these zones of activity very simply, with an approximate idea of the relative amounts of space taken up by each speciality. There are between three and four hundred people working



in this area, although the number fluctuates from day to day, rising somewhat at weekends when men are free from work elsewhere. I intend to look at each activity in turn, show where they are inter-related, and where there is a link to outside resources. Also, I intend to look at the way in which labour functions at different levels, and to briefly examine the ways in which training is structured.

Panel Beating and Motor Body Repair

The panel beaters and body repair specialists are grouped together at the top end of Gikomba on the eastern side (see map), and comprise a group of approximately 120 to 150 men. For the larger jobs, there are welders available who work in conjuction with panel beaters in cutting out ruined section and replacing them with others - usually second-hand - in a better state of repair. The panel beaters will then take over and beat out minor dents, covering the finished work with a thin layer of filler which, when hard, is cut down with a rasp and finally sanded to the required contour. The work undertaken ranges from virtually rebuilding a complete body shell to beating out minor dents on wings and bonnets. These men own few expensive pieces of capital equipment except the tools of their trade, which consist of files, sandpaper, hammers and, in the case of welders, a set of cylinders. They carry very small stocks of consumable materials. Usually the customer has to provide an advance so that filler and sandpaper can be bought. These are obtainable from a few enterprising individuals who act as retailers-on-site, and whose profits are derived from providing small amounts of material at a low unit cost, but at a price that is well above the retail norm. Filler, for example, is bought in units of Shs. 5/- and squeezed out on to a scrap of cardboard together with the catalyst. The actual retail value of a Shs. 5/- unit is about Shs. 3/- as far as I am able to judge. Should more specialised parts be required, such as substitute body panels or a new door hinge, these are bought by the customer, or obtained from the breakers yard behind Kirinyaga Road. These breakers yards are themselves entirely informal, and they provide many of the shops on Kirinyaga Road itself with stocks of already dismantled spares. Thus one section of the informal sector is dependent on another, although geographically separated by a distance of half a mile.

Most of the men have had some experience in the formal sector, either with large corporations or, more usually, with smaller Asian enterprises. A very few have received their training at Gikomba, and there are a number of trainees working under informal apprenticeship schemes. These schemes will be looked at later, since they are common to all the specialities at Gikomba and vary only in detail.

Painting

Immediately below the panel beating section is the painting area. There is a space between, where the two specialities merge, but the cleavage is generally clear. Here rather fewer men work - about 60. There are 15 men I have identified as employers of labour, and who could be classified as running their own businesses. They only undertake paintwork, and do none of the panel beating or filling. They may make a few minor adjustments to the surface in order to ensure that it is perfectly smooth but otherwise confine themselves entirely to painting. In this section there is some evidence of capital accumulation, in the form of petrol driven compressors. There are three of these machines: two are mobile and one fixed. They range from a 1928 Lister of uncertain reliability to a modern U.A.P. compressor mounted on a trolley. Two of the compressors are owned by men who also work on the site as painters, but the third is owned by a man working elsewhere who hires it out at Gikomba in the charge of an employee whose job it is to assist in the painting and to collect fees for its use. These three compressors seem adequate for the amount of work available, and usually two of them are working at any one time. These machines are hired out at a fixed fee of Shs. 3/- for a small job and up to Shs. 50/- for a full day's use, with the costs of petrol and oil being borne by the hirer. Thus if we refer back to the model proposed in the introduction, we have an example of equipment generally unavailable as an asset to the individual craftsman but available for hire on site, cutting out a critical dependency on the formal sector.

Each painter employs a couple of men whose jobs include mixing paint, running errands to collect sandpaper, paint and thinners, and rubbing down between each coat. All of the men who are operating their own businesses have been trained in the formal sector and have gravitated to Gikomba because they claim that they are able to make more money than they can working for others.

Both the painters and the body repair specialists generally charge about 40 to 50 per cent less than the prices in the larger garages, and indeed the bigger the job, the greater the amount saved. For example, a crash repair costing Shs. 10,000/- in the formal sector would cost between Shs. 3,500/- and 4,000/- at Gikomba, and a complete respray of comparable quality would cost between Shs. 700/- and Shs. 1,000/-, a saving of at least Shs. 1,000/- from the formal sector price.

An interesting development is that complete repainting jobs are provided in two or three different qualities, according to how much the customer is prepared to pay. For Shs. 1,000/- the job on a normal car is indistinguishable from that of any formal garage, but for Shs. 300/- the job is done very quickly, without too much care for the quality of the working surface, without any care at all in masking the chromium and windows, and left unpolished at the end.

The success of the painters and panel beaters can be ascribed to two factors. One is the price, which owing to high material costs is highly competitive, and yet can represent a handsome profit for the craftsmen. The other is visibility. The customer is perhaps more willing to trust the informal sector to beat out small dents and paint his car than to make major repairs to the engine. The first type of job can be evaluated and understood by the layman, the other is shrouded in esoteric mystery that makes the owner uncertain of the informal craftsman's expertise. This is largely speculation, but it is a fact that whilst many private cars are painted at Gikomba very few have work carried out on their engines or transmission systems.

Engine Repair

The engines repaired at Gikomba are usually those of lorries and other large commercial vehicles. A very few private cars are attended to, but the clientele consists mainly of the owners of working vehicles such as lorries, buses and large matatus (private taxis). In this section there are internal and external dependencies on capital not generally available to individuals in the informal sector. For example, since most lorry engines are far too heavy to remove manually, one man makes his living by hiring out his breakdown truck to lift the heavy engine blocks out of the bodies and return them after repairs have been carried out. For each operation he charges Shs. 100/-. When the engines have been stripped, spare parts are either bought from the main agents or second hand from the yards at Kirinyaga Road. A customer usually remains on site whilst this is going on, since there is a tendency for some mechanics to replace good parts with worn-out units. If, on the other hand, a part is worn but still usable, it will be taken outside to an Asian engineering works to be mended. Crankshafts are dealt with in this fashion: they are taken to engineers who specialise in regrinding the shafts and who provide sets of oversize shell bearing to replace those worn out.

The mechanics at Gikomba will also deal with the other moving parts of a vehicle, such as wheel bearings, brakes, gearboxes, axles and suspension systems. Generally, the charges made in this section are much closer to charges made by the formal sector than is the case for body repair and painting. This is owing to the high costs of spare parts which constitute a very high proportion of the final charge. Since the men at Gikomba do not have access to spares at wholesale prices, their only advantages over the formal system are the relative costs of their labour and the lack of heavy overheads incurred in the maintenance of capital equipment. Since the operation is in this sense marginal, it suffers from other cost-cutting methods which do not guarantee a job of high quality. The mechanics endeavour to keep down capital costs by widespread sharing of tools, particularly those used for specialised purposes. This in itself indicates the limited ability of this activity to generate capital reserves.

The training carried on in this section is rather more extended and systematised than in the other two sections, but is organised in much the same fashion.

Electrical Repair

This section appears under somewhat false pretences since, as mentioned in the introduction, it is not possible to find anyone on the site who specialises in repairing the electrical systems of motor vehicles. It is included because it illustrates both the linkages between the formal and informal sectors and also an activity where the informal sector is unable to offer an alternative to formal competition.

If a car requires an electrical repair, Gikomba is able to offer two services - dismantling and acting as an agent for the formal sector. The first of these two services is easily understood. If the source of an electrical fault is obvious, for example a broken starter motor, then the part can be removed at Gikomba. If, on the other hand, a fault defies simple diagnosis then the owner is usually referred to a garage occupying one of the shops to the west of the site which specialises in electrical work. In both cases it is at this garage that the next stage of the work proceeds. The garage is capable of testing, dismantling and rebuilding certain components, using parts from stock. Thus, for example, the garage is able to replace dynamo brushes and bearings. However, where the fault lies in the circuitry itself, this garage is unable to do more than supply an exchange unit and take the broken piece to the fully formal sector where the equipment and trained labour exist to carry out the work.

Thus it can be seen that the part played by Gikomba in the process of obtaining electrical repairs is extremely marginal. The reasons for this are two-fold. First of all, specialised equipment and training is needed to diagnose and repair most electrical equipment. Secondly, there is a need to hold comprehensive stocks of parts. It is not surprising, therefore, that this work is not carried out at Gikomba. This is another area where alternatives to formal sector methods and capital do not exist.

Training

The proportion of trainees, or 'spanner boys' to men who function as independent operatives is about three or four to one, varying somewhat from speciality to speciality. The general mode of operation at Gikomba seems so informal that it is easy to imagine that there is no structured form of training taking place, but in fact the reverse is true. No one is under training at Gikomba without some form of loose agreement between craftsman and apprentice. This takes two forms. Those trainees who are relatives of men working on the site, who constitute the majority of apprentices, are taught at no cost, but are also not paid in the initial stages except perhaps for some pocket-money to cover bus fares. They will work under the direction of their master, first of all doing simple and menial tasks and graduating to more complex and skilled work as they demonstrate their ability and grasp of the principles involved. Gradually they come to master the whole range of skills required, and after some months receive a daily rate of pay based on the work they have done. The other category is that of trainees who have no contacts in the trade, and whose fathers will have paid the craftsman up to Shs. 600/- for more or less formal training. This Shs. 600/- is a non-returnable deposit, and is regarded not only as money to cover the cost of training, but also to compensate the craftsman for any expensive errors that the apprentice might make. This form of agreement is not the most common, since, as previously pointed out, most trainees are relatives of the men working on the site, but it is nevertheless widespread.

A General Evaluation

Thus it is possible to see from this brief examination that, whilst Gikomba is a generally efficient and cheap alternative to the more formal garages, it suffers from severe technical and economic limitations. First of all there are some types of work that cannot be done, such as electrical work and general servicing, since these are either too specialised or simply unprofitable. Secondly, it depends on expensive sources of spare parts and engineering services, since it does not have its own internal capital resources in these areas. This limitation clearly has a substantial effect on profitability, especially when the raison d'etre of Gikomba - its low cost to the consumer - is also considered. Additionally, the illegal use of land and labour renders the area liable to harassment, which acts as a disincentive to acculation of capital assets. There is also the problem of corruption facing these men in their relationships with authority since frequently outside operatives will pay substantial bribes to a council officer as an inducement to refuse a licence application. Perhaps most critically, the economies achieved by such close association with other men in the same trade are more than offset by the fact that each man is surrounded on all sides by his competition. Finally, although connected to the previous point, there is an excess of labour: a fact attested to by the speed with which jobs are done and the enthusiasm of the bidding to see who will offer the lowest price.

Gikomba has effectively by-passed the constraints on the informal sector listed in the introductory section of this paper, but at costs so high as to prevent a significant amount of capital accummulation. It is a response to the needs of a hard-headed and limited market, bound at the top by severe capital constraints, internally by strong competition, and at the bottom by the influx of large numbers of workers, both adept and anxious to learn.

I do not see any way in which the work carried out at Gikomba can be effectively encouraged. The provision of secure premises by the City Council would increase costs and create a relationship with authority that most of these men are anxious to avoid. Such premises would not in themselves create an improved standard of work, nor would they necessarily improve market potential without a related investment in equipment that most of these men could not contemplate.

Gikomba is an illustration of a situation true in general of the informal sector. Activities are limited by lack of access to capital and there are equally limited opportunities to accumulate capital through surplus, owing to strong competition and the absence of the advantages open to the formal sector.

SAMUEL KAMAU

Kariobangi is a low-cost residential area on the Outer Ring Road, a mile from Eastleigh airport. It is a mixture of both legal and illegal housing, and along Outer Ring Road itself a number of informal manufacturing enterprises have sprung up, all more or less illegal in their siting, licensing and labour practices. A wide variety of products is made. Furniture, jikos (small metal cooking stoves), jembes (hoes), and clothes are all produced in this area and find their market in Kariobangi, although some items are made for sale in Nairobi shops. The construction by the City Council of a new housing estate nearby will certainly give impetus to the growth of this manufacturing sector, and so far the entrepreneurs do not suffer from excessive harassment by City Council askaris.

The area is attractive to informal sector entrepreneurs since work places can be located close to their homes and there is a relative freedom from interference. This has encouraged the construction of temporary, but in many cases substantial, buildings to house the businesses.

I have chosen to look at Samuel Kamau because he is essentially atypical of people working in the informal industrial sector. He shows the extent to which individual competence and enterprise can make their mark, and yet the extent to which these talents are inhibited by the economic and structural limitations of operating in an informal fashion. He is an example of a man whose inability to free himself from limitations imposed by lack of capital denies a highly inventive talent its appropriate expression, and confines him to a successful but limited style of operation.

Kamau, who comes from Murang'a in Central Province, worked for nine years in the formal sector for Vono, a company producing beds in the industrial estate. In 1972 he started a small workshop of his own, immediately employing four men on a piecework basis. To begin with, the workshop was in no way different from many other general metalwork and welding enterprises. However, three years ago Vono decide to discontinue one of its products since the volume of work did not justify the maintenance of a production line. Kamau immediately started to produce an exact replica of the discontinued beds which he has sold on the market at a higher price than Vono had charged. He immediately found that he had hit on a successful product and increased his production to 50 beds a week, at a wholesale price of Shs. 120/- each. In addition, to cut his costs he bought the steel tubing he needed from Brollo Ltd. in Mombasa and transported it to Nairobi. A tube normally on sale in Nairobi for Shs. 20/- thus cost him only Shs, 16/50. The beds are sold mainly through shops in town around the Race Course and River Road area, transported there by Kamau.

So far we have a picture of unusual enterprise, but essentially no different from that of many other informal manufacturers who duplicate formal sector products ranging from chairs to charcoal braziers. The fact that Kamau has produced an item normally made by a fully established industrial concern and copied it precisely is unusual, but perhaps not exceptional. The next stage of the story brings in the difference.

These beds use a type of flattened coil spring as a base for the mattress instead of woven steel wire. The cost of a coil of this spring bought from Silent Night Ltd. was Shs. 750/- although the cost of the wire used was no more than Shs. 350/-. Kamau had been to the factory when obtaining his supplies and had studied the machinery with care. He decided to try to make his own machine for producing the springs. Using a three h.p. single-phase electric motor (his supply was single phase), he made a machine which forced the wire through a set of rollers at high speed and through a screw die set in an adjustable jig. The resulting spring, 3/4 inch in diameter, is produced at a rate of about 50 inches per minute. The spring is then passed through another set of rollers which flatten it, and the result is in no way distinguishable from the Silent Night product. Apart from the rollers and die, which were made by an Asian engineering company, the entire machine was made by Kamau. Although not a thing of beauty, it is a precision machine that at the time of my visit had functioned for eighteen months without a major breakdown. Not only does Kamau now sell springs to others, but he is making another such machine to order for an Asian manufacturer of chairs, at a cost of Shs, 8,000/-. This is conceivably the first known case of a piece of capital-intensive industrial hardware made by an African through his own initiative and to his own design for sale to industry.

Kamau now employs six workers and has diversified into the production of jembes. It is less likely that he will be successful in this field since he does not have a monopoly in a highly competitive market.

His entire operation is illegal. His workshop is in the open since he moved to Kariobangi six months ago, although he has two large store rooms for stock and tools and to accomodate a watchman. He has an electricity supply of considerable wattage, and one presumes that East African Power and Lighting is not concerned with its customer's legal status. His employees have remained with him throughout, receiving monthly wages ranging from Shs. 350/- to Shs. 600/- to Shs. 800/-, based on piecework. These salaries are relatively high for the informal sector; they are made possible by the fact that on a number of products division of labour is practised. The employees have no formal status or protection, and Kamau does not operate any apprenticeship scheme such as is found at Gikomba.

Kamau has no links to the formal sector so far as the process of manufacture is concerned; such links are restricted to the purchase of raw materials and marketing outlets. Otherwise, he is fully independent. He is successful because he has hit on a product in demand where he has a monopoly, and he has a great deal of inventive enterprise. He has pitched his product at the best market available - the urban middle class - which has sufficient surplus to pay his prices. He has tapped a productive source of revenue and has created a flow of cash from members of one class to serve the needs of another. In this way he has not only survived, but he is doing exceptionally well. He is also fortunate in that the technology which was employed in the factory can be easily duplicated in the workshop. There is no danger of effective formal sector competition, since the market did not justify Vono investing in a sophisticated plant.

However, he is not able to apply these advantages on any large scale since he has no access to industrial capital, no influence to speak of, and no desire as yet to cope with the problems involved in a transition to a formal mode of operation. At the present time he has a trading licence, but no license to manufacture or to hold wholesale stocks of steel. He does not contribute to the National Social Security Fund, either for himself or for his employees, and he does not pay taxes. He is not liable for rent or for rates and is not required to conform to any of the provisions of the Factory Act. For Kamau, the capital outlay required to conform to the law is prohibitive, since the cost-effectiveness of his business would be substantially reduced unless accompanied by a corresponding rise in output. Thus, whilst he has overcome the last two constraints listed in the introduction, he does not see it as worth his while to attempt to overcome the first. He is, moreover, unwilling to expand into a sphere where delegation of responsibility would be required. Marris and Somerset, in their book African Businessmen (1971), identified as a major cause of business failure the inability of many successful entrepreneurs to adjust to an unfamiliar style of business organisation when their enterprises grew beyond a certain critical size and they were unable to delegate authority to subordinates successfully.

When all is said and done, the only effective way for Kamau to break out of this impasse would be with the investment of large amounts of industrial capital. Since he has only small movable assets, is not licensed and has an illegal workforce, it is hard to see how this capital could be attracted. Certainly he cannot hope to generate it from his own resources. Equally, since he is producing a product which the formal sector did not find profitable, it seems unlikely that in a formal setting he would be able to provide a sufficiently attractive return on any capital investment he might seek.

CONCLUSION

These two case studies illustrate two entirely different informal sector styles of activity. The craftsmen at Gikomba are very competitive, limited in their ability to provide a parallel service to established garages without complex links to the formal sector, denied access to wholesale supplies of material, and viable only by virtue of low labour costs and an illegitimate set of labour relationships. They also survive by providing a service to a transport sector that is largely informal itself, and by operating on a marginal profit. Kamau, on the other hand, provides an exclusive product for a broad and relatively wealthy sector of the urban population and uses methods that do not greatly differ in efficiency from those chosen by industry. In any event, he is neither able nor willing to break out of his present mode of operation and cross the official barriers to legitimacy, again owing to a shortage of capital. In both of these case studies, needs must be met in a situation of limited opportunity. Without either the ability to generate capital from surplus or the means to attract it from outside sources, these enterprises can only hope to develop at a rate more or less parallel to that of the economy at large.

We must ask precisely what the informal sector is appropriate to, and the answer in most cased seems to be subsistence, since its capacity to generate surplus and therefore capital from its own resources is very limited. The constraints that exist, preventing the growth of the sector, have often led to the suggestion that legislative room should be created to give the informal sector a place in the sun. What is ignored is that these same constraints are actually a set of ground rules designed to assist another level of technology and capital. That they inhibit the informal sector is coincidental, but since the Kenyan economy is structured in the way that it is, to expect a radical alteration of the law to suit the informal sector, possibly at the expense of the formal, is optimistic.

There are some attempts at compromise. The Nairobi City Council, for example, has made available a number of plots at Dandora, specifically for the purpose of allowing the construction of low-cost industrial units. Unfortunately, the Council is insisting that certain minimum standards of construction be met, and that plans must include not only toilet facilities, but accomodation for a watchman. The Council also expects that construction costs, including connection to drainage and sewerage mains as well as electricity, be fully met by the individual entrepreneurs. It may well be that such a scheme is a step along the road towards helping the informal sector, but even these minimum conditions laid down by the Council represent a level of investment that is beyond the capacity of all but a few informal businessmen, and the new sites offer only marginal advantages over present work environments.

One is repeatedly forced to conclude that effective indigenous industrial growth cannot be expected to emerge from the informal sector, but more probably from a situation of 'comprador' accumulation at the top. The Tiger Shoe Company is a case in point, where technology has been bought by local merchant capital which has access to the powers of the state and which has drawn the necessary expertise from the Bata Company. The result is that this new firm is now in strong competition with Bata for the upper end of the market, although as yet unable to compete at the lower end, owing to the extremely capital intensive technology required to achieve this aim. Against this background, the informal sector must be seen as a productive mechanism dependent for its market on wage surpluses generated by the more effective established capital. Whilst the informal sector may provide services and fill a definite need, it is more a reflection of the general economic level of Kenyan society than an agent of growth in its own right.

The I.L.O. perspective on the informal sector has served Kenyan elite interests very well. The Kenya government welcomed the section of the report dealing with the informal sector, but in ensuing years has done precious little to implement its recommendations. Whilst this may be interpreted as sheer indifference, it is arguable that the effect of the I.L.O. viewpoint was not that the mythology was accepted beyond the level of rhetoric, but rather that the true function of the informal sector was revealed to the Kenya government: a form of social blotting-paper capable of absorbing large numbers and providing urban subsistence levels of income, thus helping to avoid consideration of alternative means of planned job creation.

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