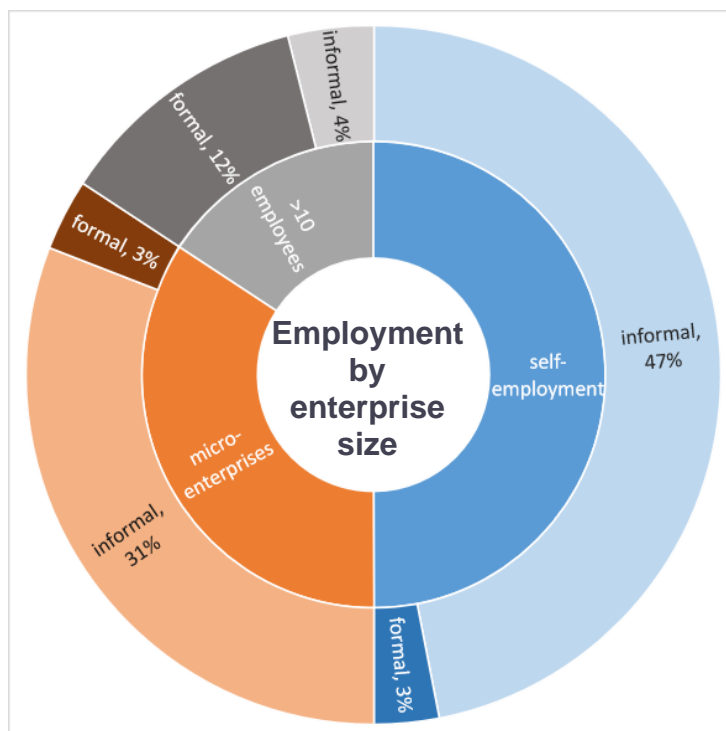


Small is beautiful

The importance of small economic units (SEUs) for employment and the circumstances that make up their specific constraints and needs make it clear that [supporting SEUs in Sub-Saharan Africa](#) should be central to the economic and social development strategies of governments, donors and NGOs. This includes SEUs that are [informal and will most likely remain as such](#). This two-pager builds on and links to the [online database on informality](#) on the [website](#) of INCLUDE.

Small units, big numbers

In Sub-Saharan Africa, SEUs make up [84.3% of all employment](#) while [82% of all workers are working informally](#), either in informal enterprises or formal ones. Moreover, informal work is the only option for nine out of ten women, who tend to hold the [most vulnerable and lowest paid jobs](#). The informal economy is heterogeneous, reaching [all sectors](#) of the economy – from ([international cross-border](#)) trade and transport to construction, and from informal waste pickers to household enterprises and day labourers.



Small-scale, precarious and decent work

Work in SEUs is often related to poverty and the deficit of decent working conditions, especially when it concerns informal work. Informal workers often lack access to legal representation and face challenges in occupational health and safety (OSH), on top of long working days, low wages, low job security, harassment and vulnerability. Women in particular face [disparate challenges](#) compared to men. [Despite challenges, vulnerabilities and special needs, SEUs play a key role](#) in the way the vast majority workers in Sub-Saharan Africa survive and make their livelihood. Additionally, [informal arrangements](#) mitigate vulnerabilities in the absence of formal safety nets, for example, such as group (funeral) savings and [collective action](#).

Stay small and stay down?

Many small enterprises face particular [constraints](#) – primarily around ([financial](#)) capital, assets, skills and uncertainty – which prevent them from growing and reaching their full [potential](#). There is a high rate of entry and exit of start-ups, and small enterprises often [face a wall](#) when the need arises to further invest before they can grow. However, these factors can be tackled by tailor-made [private sector development](#) (PSD) programmes for small and micro-enterprises that aim to improve productivity and the business skills of entrepreneurs, as well as provide grants or loans.

Start small in education

One of the biggest challenges is to enhance the capabilities of African youth [without deepening the existing inequalities](#). Improving formal education, as well as recognizing and improving informal modalities of job skills training are necessary. Graduates of formal tertiary education in African labour markets form only a small proportion of the labour market, in comparison to those who acquire job skills

in informal employment. Additionally, there is a mismatch between the skills taught in [formal education](#) and the skills needed in the labour market, [particularly soft-skills and technical skills](#). The mismatch is such that even graduates resort to [informal modalities of job training](#). For example, a study showed that [60% of young people](#), after bachelor or master courses, obtain on-the-job experience or do an apprenticeship in the informal sector to enter the labour market.

Small and the future of work

The [future of work](#) is commonly linked to the 'Fourth Industrial Revolution', digital technologies and the rise of non-standard employment (e.g. [the gig economy](#)) – but it is likely to be [different in many African economies](#). Lack of infrastructure and the low cost of labour limit the potential for automation, and digital technologies are [not equally accessible](#), as they require [digital literacy and 21st Century skills](#), which many young people are not able to acquire. Non-standard employment (full employment being the standard) has been the daily reality for many (informal) SEUs and will likely [continue to dominate the labour market](#), as infrastructure and large formal enterprises [require time and investment](#) to grow. Technologies have limited [potential](#) to lift people out of poverty, while also carrying a risk of deepening inequalities and [replicating the precariousness](#) that is already pervasive in many African countries.

Small matters and big deals

Its importance for the labour market and the constraints mentioned above show [that supporting SEUs](#) and the [majority of informal workers](#) in Sub-Saharan Africa should be central to the economic and social development strategies of governments, donors and NGOs. The 2019 [OECD/ILO report, Tackling Vulnerability in the Informal Economy](#), identifies five broad policy areas that should be addressed to support informal enterprises and workers:

- **Social protection:** For example, by strengthening informal social protection, insurance, [unconditional cash transfers](#) or [basic income](#)
- **Occupational safety and health:** Which is related to workers' rights and access to tools
- **Raising productivity and labour income:** For example, actors from the [private sector](#) should be strategically involved to connect labour supply ([skills](#), [education](#), networks) with demand (productivity, jobs)
- **Formalization:** A policy mix is needed to [incentivize formalization](#), which may consist of incentives, [social protection](#), [access to finance](#) and other basic services (note, formalization as such is not necessarily directly related to increased [productivity](#), poverty reduction or improvement of working conditions)
- **Empowering workers:** Empowering workers and employees through [organization, representation and social dialogue](#)

We refer to [INCLUDE's policy principles](#) for these areas. In short this means:

- Assess the **distributional consequences of programmes** and invest in areas and sectors where poor and marginalized people live and work, [tailoring interventions](#) to the constraints and needs of marginalized subgroups (especially [women in informal work](#) face specific [working conditions](#), [cultural and social constraints](#), family and child care obligations, as well as harassment and income inequality)
- **Build on and improve existing interventions, formal and informal arrangements**, for example, by boosting [informal apprenticeship](#) programmes instead of inventing a new technical and vocational education and training (TVET) system to meet the skills requirements of the labour market
- **Maximize spill-over effects, and minimize negative externalities** for vulnerable groups and existing initiatives and (informal) arrangements
- Include **SEUs as strategic actors** in the design and implementation of policies and interventions and ensure the conditions for participation of these diverse actors