

ZIMBABWE CHAMBER OF INFORMAL ECONOMY ASSOCIATIONS



"THE CHAMBER THAT DELIVERS"

STUDY CIRCLE BASIC EDUCATION MANUAL FOR INFORMAL ECONOMY WORKERS

BOOK 3

MOBILISING AND BUILDING BUSINESS & RESOURCES

Supported by FES

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Foreword

ZCIEA is an umbrella organisation for informal workers and their associations that was formed fifteen years ago through the Zimbabwe Congress of Trade Unions' initiative. Its goal is to protect the rights and advance the interests of all small and unregulated businesses and workers in Zimbabwe as these are not covered under the existing labour laws. One of its key functions in advancing the interests of the members is developing capacity through education and training.

A research by Labour and Economic Development Research Institute of Zimbabwe on Decent Work in the Informal Economy confirmed the following.

1. It is now widely accepted that the informal economy involves income generating activities that fall outside the purview of state regulation. The International Labour Organisation defines the informal economy as "... all economic activities by workers and economic units that are – in law or in practice – not covered or insufficiently covered by formal arrangements" (ILO 2002). Most workers enter into this economy not by free choice but out of frustration of lack of job opportunities after being retrenched or graduating from high school or college.
2. Informal economy thrives in the context of high unemployment, underemployment, poverty, gender inequality and precarious work. In such circumstances, the informal economy also plays a significant role in income-generation due to the relative ease of entry and low requirements of education, skills, technology and capital. Most people enter the informal economy by necessity rather than by choice, as a means of survival.
3. This sector is characterised by:
 - ✓ easy entry, meaning anyone who wishes to join the sector can find some sort of work which will result in cash earnings;
 - ✓ lack of stable employer-employee relationships;
 - ✓ small scale of operations, and
 - ✓ Minimum skills gained outside of a formal education.

ZCIEA has therefore planned education for all its members in the informal economy to empower them with knowledge and skills that assist them to effectively address the challenges and gaps in this sector.

This basic informal economy workers education manual is designed in a simple manner for convenient learning. The method is in a study circle group which means members need to organise themselves into small groups of between 5 and 10 people. Each group should have a leader who will lead the discussion and this can be done in rotation where one can lead discussion of a topic. This is a popular approach just like in the shona tradition of "padare" where specific issue is discussed to find solution or way forward.

The organisation has trained Study Circle Leaders from the territories who will assist in coordination and organising of groups in Chapters and Zones. It is expected that this low cost and membership centred approach will open opportunities to all members of ZCIEA to acquire basic knowledge of their sector and be able to contribute to the improvement of the labour standards and conditions of work.

The manual is in eight chapters which cover information necessary for elementary knowledge that will enable participants to appreciate their important role in building the organisation, resources and contributing to national development.

These chapters include:

1. Informal Economy Organisation;
2. Occupational Health, Safety and HIV & AIDS;
3. Mobilising and building Capital Resource;
4. Good Leadership qualities and skills;
5. Economic Literacy and Decent Work Agenda;
6. Laws Affecting Informal Economy;
7. Gender Issues in the Informal Economy;
8. Climate Change and the Informal Economy Climate Change and the Informal Economy.

Participants who complete all the eight chapters will be awarded a certificate of completion and thus qualifies to be enrolled in further education and training courses such as Negotiators, Organisers, Educators, Researchers, etc.

Through this effort, our objective is to build a formidable and strong membership organisation that champions the workers agenda from grassroots to national level.

Wisborn Malaya

SECRETARY GENERAL

Acknowledgments

The ZCIEA Informal Economy Study Circle Education is a programme that was designed after consultation with the members on their needs in their organisation. Consultations done with membership indicated a number of needs and among these was the need for knowledge of the organisation, rights, work skills, legislation, policies and other information that assist the informal workers to efficiently operate.

In respect of its membership rights and to address the identified needs, the organisation established the education and training programme that targets the rank and file membership. As the ZCIEA slogans outline “the Chamber that Delivers – Nothing for Us without Us”, the chamber has the responsibility of empowering the membership with knowledge and skills to be able to actively participate in and contribute towards recognition and respect of the informal economy and the workers’ rights.

In the process of developing this basic education material whose objective is to enlighten all members of ZCIEA and workers at large, the organisation and programme received support in various ways. Therefore acknowledgement is attributed to the members who participated in the consultation activities that were done in the territories, those who participated in the research by LEDRIZ, participants to the collective negotiations workshops. All the information provided from these activities assisted ZCIEA in identifying the education and awareness needs as well as the specific areas that shaped focus of this material.

We also acknowledge the research done by LEDRIZ on Informal Economy whose report informed the writers on the status of the informal economy, working conditions and the decent work standards.

Special gratitude is given to the writers of the Study Circle Manual Lucia Chinyamakobvu – ZCIEA Harare Territory Secretary, Ropa Chikoore - Midlands State University Student Intern, Dyke Munetsi – Chitungwiza Territory Youth Forum Chairperson, Agatha Chabwinja – ZCIEA Administration Secretary and Wisborn Malaya – ZCIEA Secretary General who were skilfully guided by Miriam Assumpta Chikamba – Trade Union and Community Organisation Development Mentor to put together all the information required and produced this manual.

Our most sincere gratitude is extended to the Fredrich Ebert Stiftung (FES Zimbabwe Country Office) for their unwavering support and faith in ZCIEA’s capability by technically and financially supporting the production of this education manual that will go a long way in empowering and liberating the informal economy workers in Zimbabwe.

We also thank the ZCIEA National Assembly, all structures and other supporters whose encouragement, motivation and initiatives contributed to the success of this informal economy workers basic education programme and material.

We wish all the informal workers and those who encounter with this material the best in transitioning the informal economy towards formalisation, respect of workers' rights and implementation of better labour standards.

ZCIEA – THE CHAMBER THAT DELIVERS

Loraine Sibanda

PRESIDENT

ABBREVIATIONS

OPC	Open Platform Communications
WACC	Weighted Average Cost of Capital
ZCIEA	Zimbabwe Chamber of Informal Economy Associations
ZCTU	Zimbabwe Congress of Trade Unions

Chapter Three: Mobilising and Building Business & Resources

1. Objectives of the Chapter

Workers will be able to identify methods of building and sustaining viable businesses.

2. INTRODUCTION

Informal economy workers have brilliant business ideas for sustaining the economy however lack of business development skills and capital resource hinders growth of such ideas into concrete business plans. Although some manage to produce and trade small quantities of goods and services for subsistence, it is then necessary they get assistance and support to grow such ideas and business into formal enterprises.

3. Definition of Terms:

Capital: refers to all goods and services which are used in the production of other goods and services, e.g machinery, factories, education, and human. Capital can also mean the money value of a business such as sets.

Resource: refers to stock or supply of money, materials, staff, and other assets that can be drawn on by a person or organization in order to function

Business: refers to work relating to the production, buying and selling of goods or services.

4. Concepts of business

Rate the following statement and support your answer with facts.

Traditionally a business person is someone who has lots of money and source of this money is miraculous

TRUE

OR

FALSE

5. GENERATING BUSINESS IDEA

Every business starts as an idea which is conceptualised and developed into a concrete business plan. This is the plan that is used to source funds or capital to start a running trade or production. Unplanned businesses run the risk of casual operation and normally the result is there is no accountability and profit.

A business is not a social welfare organisation or institute. Therefore proper procedures should be followed such as:

5.1. Think about what business you want to embark on.

It is not the case of anything or what a friend is doing.

5.2 Selecting a good business idea.

List three possible business ideas from which you can then chose one to concretise.

5.3 Concretising business idea. Research on the viability of this business idea by:

1. Who will benefit from the product you want to produce?
2. Are there other operators in the same area or other areas?
3. Who is likely to compete or who are the competitors?
4. Are there laws that regulate the production or services?
5. What price are the people prepared to pay?
6. What are the prices of the components that will go into the business?

This process is called business idea assessment.

5.4 Choosing a business

A business adds value to clients, but a scam robs people of their hard earned money. Adding value makes your business viable because people will do business with those who improve their lives. As you look for home business ideas, stay away from get-rich-quick schemes that only add value to those selling you their "system." Pursue ideas that serve others with products or services that are useful.

5.5 There is a Way Out

Otherwise known as an "exit strategy," make sure you will be able to sell or successfully close any small business you're considering. For example, if you're looking to start a sewing business, you need to consider how you'll leave that business. Will you be able to sell the business or your assets? Is it more viable to have an online store selling sewing related products than to hand sew items? As you consider each idea, make a note of the ways that you can leave each business in a way that makes it financially worth it to start in the first place.

5.6 Expanding the Business

You may be satisfied with working alone now, but you should still keep your options open for possible expansion in the future. This doesn't mean that you'll no longer work at home. You can still grow a thriving business from home, using all sorts of outsourced help. A viable small business idea should allow for growth and expansion, even if you never actually do expand.

5.7 A Sound Business Strategy

You want to consider businesses that have a sound business strategy and business model. For example, pyramid schemes are not a sound business strategy and are illegal. Most multilevel marketing programs are not based on a sound business strategy, because you'll have to recruit sellers rather than sell directly to customers and clients only. Writing articles fulltime for a per cent of advertisements and making \$1 or \$2 a month for a year is not a sound business strategy.

5.8 Business Risks

There's some risk involved with any business you start. However, you don't want to get wiped out financially or emotionally by a business that is just too risky. A viable home business idea should not have you breaking the bank. Low start-up costs are one of the reasons why people work from home in the first place. Also, stay away

from small business ideas that require you to pay them for the privilege of doing business.

After concretising the idea and establishing the viability of the business, then there is need to do an on the ground research on specific and actual business plan which may be called feasibility study.

This study will inform you all about what to plan, when to start the business, the capital you need and where to get that capital.

6. ACCESS TO BUSINESS CAPITAL

Informal economy workers are unable to access capital for business growth from financial institutions because they do not have collateral security required by financial institutions.

In cases where informal economy workers are able to access credit facilities, the interest rates charged are exorbitant while on other the rate of profit margin in informal economy is very low resulting in the risk of sinking deeper into debts

6.1 SOURCES OF CAPITAL

6.1.1 Own Funding: This is when one funds the business from own savings.

6.1.2 Business Round Table Groups: One can join a group that support each other through loaning each other capital for business. This strategy needs people who are sincere and trustworthy else you can lose funds to some who will get away without paying back.

6.1.3 Formation of SACCOS: One can also start from contributing in a savings and credit union or association until you raise enough to start the business.

6.1.4 Formation of Cooperatives: A number of people planning to start a similar project or business can come together and form a cooperative. This means you can raise enough capital to start and run a business with enough human resources.

6.1.5 Borrowing: It is one of the most fashionable strategy of funding business but in the current economy of Zimbabwe, it is highly risky as the economic performance is unpredictable.

6.1.6 Facilitation of Credit Lines by ZCIEA: This can be one of the prosperous strategies of building capital for small businesses. However like mentioned before this also requires sincerity and faithfulness on the part of membership to pay back the borrowed or revolving funds or seed fund so that many can also benefit.

7. BUILDING BUSINESS SUSTAINABILITY

The macroeconomic environment in the country is not favourable to sustain small and fragile businesses like the informal economy enterprises. Therefore it is necessary that an informal economy business consider the following:

Location of business: The business can thrive where there is market and where it takes precautions to avoid unnecessary losses.

Business Niche: Timing and considering production of something that is not in high completion with other producers or traders. One can consider unique product after having done market research to establish the taste of the buyers and suppliers for your products. These are business opportunities available.

Compliance with the law: Most businesses collapse due to none compliance with the investment laws of the country. This situation pushes some to then indulge in corrupt dealings as a strategy of sustaining the business. Be warned not to deal in corrupt business dealing because it is a recipe of loss. Actually one pays more in corruption than in straight business dealings. Therefore it is best to survey on all legal requirements of the business before starting or investing.

Business Support: No business is a standalone. Therefore one needs to build business associations and alliances who will represent and support the business in policy, legal, and operations.

8. STARTING YOUR BUSINESS

8. 1. To get started, create your own simple, one-page business plan that is a high-level overview of the small business you're about to start.

- Define your vision. What will be the end result of your business?
- Define your mission. Different to a vision, your mission should explain the reason your company exists.
- Define your objectives. What are you going to do -- what are your goals -- that will lead to the accomplishment of your mission and your vision?
- Outline your basic strategies. How are you going to achieve the objectives you just bulleted?
- Write a simple action plan. Bullet out the smaller task-oriented actions required to achieve the stated objectives

8. 2. Decide on a budget:

- keep your costs as low as possible, you'll still need to determine a budget to get started and how much you'll be able to spend.
- If you're self-funding, be realistic about numbers and whatever you anticipate your budget to be

8. 3. Decide on a legal entity:

- Filing paperwork to start a business costs money.
- You'll need to account for city or municipality licensing, state incorporation or business entity fees and more.

8. 4. Take care of the money: Whatever business entity you decide on, keep the funds separate from your personal accounts.

- This is a big mistake that makes tax time and financials so confusing. It's really easy to set up a free business checking account with your local credit union or bank. All you'll need is your filing paperwork, sole proprietor licensing information and an initial deposit to get set up from most financial institutions.

9. BUSINESS SECURITY

- Informal enterprises and workers are affected in many of the same ways as formal firms and workers but have no cushion to fall back on.
- The informal workforce is more exposed to - and less protected against - common core contingencies such as illness, disability, and property loss.
- As self-employed and non-standard employees, they are also particularly vulnerable to market fluctuations, intensified by market liberalization and globalization. On a daily basis, they struggle with the shocks and stresses of working in hazardous conditions; without secure assets, basic infrastructure, and social services; and without rights and inclusion as workers or citizens.

There is need to:

- prioritize extension of social protection coverage to the manpower
- adapt both social and private insurance to you business.
- coordinate diverse forms of protection (social and private)

10. RESOURCES BUDGETING

10.1 What is Budgeting?

Budgeting is simply balancing your expenses with your income.

10.2 BUSINESS BUDGET

Step 1: Tally Your Income Sources

- The first element of a good business budget is figuring out how much money you bring in on a monthly basis.
- Start with your sales figures first and then go further by adding other income sources you use to run your business.

Step 2: Determine Fixed Costs

- Fixed costs are expenses that are charged the same price each month. As you can imagine, incorporating these is by far the easiest part of creating your business budget.

- Review your past bank statements. You'll easily be able to spot your fixed bills and the total amount they cost you each month.

Step 3: Include Variable Expenses

- Items that don't have a fixed price tag each month are called variable costs.
- Many of these purchases can actually be scaled up or down depending on the state of your business, using your monthly profit. Your profit each month will be determined by the earnings you're left with after paying all your costs.
- So, if your business does better than you forecasted, you can use the extra funds to increase variable spending enabling you to grow faster.

Step 4: Predict One-Time Spends

- A great perk of creating a budget is now you will be able to factor in one-time purchases better than ever before. While some of these items may come up unexpectedly, like the purchase of a laptop to replace the one that crashed, others can be budgeted for months in advance, like that business retreat you've been eyeing, to protect your business from financial burden.

Step 5: Pull It All Together

- The first four steps above are the elements of a good business budget, so the last step is simply pulling it all together. Take action by using this handy checklist with specific examples so you can create your budget without any hassle:

11. BUSINESS RISKS AND OPPORTUNITIES

- Expect change and learn to welcome it; be resilient
- Know your business: know your purpose, strengths, source of value, and about your customers and competition: Consider these questions:
 - What is your business purpose and what value do you provide? Who needs what you do? Who could need what you do?
 - Who is better at doing what you do? Why?
 - What are your core competencies (strengths); what are the five things that separate you from other businesses? Are these things that customer and employees perceive as valuable?
 - What are your key weaknesses; what are the things that inhibit your ability to consistently and reliably create value for your customers and employees?
 - What are threats to your business; what are the things that if left unattended will significantly impact the success or existence of your business?
 - What are the opportunity areas for your business; what areas can be improved, developed, initiated or modified to improve results, improve performance and improve **success**?
- Share what you know; eliminate all obstacles to open and honest communication.

- Learn to focus on opportunities; approach each day with optimism to see ways to create value, improve efficiencies. For example:
 - Develop a list of opportunities that need what you do well.
 - Create a list of opportunities that will address the problem areas.
 - Create a list of opportunities that will mitigate or respond to the threats.
-
- Own your success; build a plan and work it each day.

12. Exercise

1. Draw a check list of your business viability and establish threats and risks.
2. Discuss the strategy that you can apply to secure your business.
3. What laws apply to your business and are you complying with them?