

Research Article

The Role of Informal Economies in African Urban Growth

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Abstract

This article explores the critical role of informal economies in shaping African urban growth, particularly in the context of rapid urbanization without parallel industrial development. It examines how informal economic activities—comprising over 60% of urban employment in Sub-Saharan Africa—serve as essential mechanisms for livelihood, service delivery, innovation, and social resilience. Drawing on case studies from Accra, Nairobi, and Lagos, the paper highlights how informality fills gaps left by state and market systems, while also presenting challenges related to precarity, environmental strain, and inequality. The discussion focuses on the drivers of informality, its socio-economic contributions, and the policy dilemmas surrounding its management. The article argues for inclusive urban governance approaches that integrate rather than marginalize informal actors and underscores the need for adaptive, digitally supported, and equity-focused policies to support Africa's evolving urban future.

Keywords: Informal Economy; African Urbanization; Sub-Saharan Africa; Urban Growth; Informal Employment; Urban Informality

INTRODUCTION

African cities are experiencing some of the fastest rates of urbanization in the world. By 2050, the continent is expected to add nearly 900 million urban residents, with much of this growth occurring in informal settlements and economic arrangements outside the purview of state regulation. Informal economies, defined by untaxed, unregistered, and often precarious economic activity, are not merely a backdrop but form the mainstay of urban livelihoods and city-making in contemporary Africa[1][2][3].

This article analyzes the significance, diversity, and impacts of informal economies on African urban growth, drawing upon empirical studies and recent data from Sub-Saharan Africa's rapidly growing cities. It assesses both the benefits and challenges posed by informality, explores policy dilemmas, and suggests strategies for integration, resilience, and equity.

The Ubiquity and Scale of Urban Informality

Across Africa, the informal sector is not a marginal phenomenon—it is the mainstream of urban economic life. In most countries, a majority of urban jobs are informal, with estimates ranging from 56%–65% of urban workers engaged in informal employment, and this figure exceeds 70% when excluding large economies like Nigeria and South Africa[3][4][5]. The informal economy provides employment to a diverse workforce, including self-employed entrepreneurs, street vendors, transport operators, and service providers[2][6].

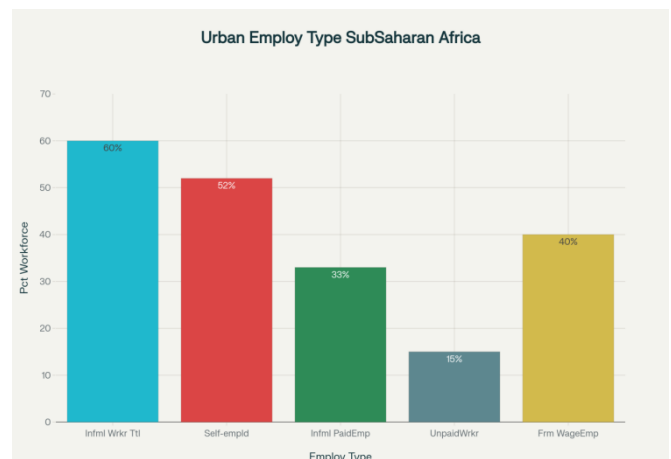
STATISTICAL OVERVIEW

- In Sub-Saharan Africa, about 60% of urban workers are informal.
- Self-employed workers make up about 52% of the

informal urban workforce.

- Informal paid employees comprise about 33%.
- Unpaid workers and formal wage employees form smaller proportions but are significant for household survival strategies.
- The informal sector is especially common among youth (95.8% for ages 15–24) and women (92.1%)[2][3].

Distribution of Urban Employment Types in Sub-Saharan Africa:



Distribution of Urban Employment Types in Sub-Saharan Africa

The bar chart above visualizes the dominance of informal employment in Africa's cities, highlighting the structure of urban labor markets.

Drivers of Informal Urban Economies
Urbanization Without Industrialization

African urbanization is occurring in a context not

characterized by widespread industrial job creation. Unlike Europe's or East Asia's historic urban transitions, many African cities lack robust formal job sectors and have seen urbanization outpace formal economic transformation^[7]. This disconnect pushes rural migrants and the urban poor into informal livelihoods—from food vending to artisanship and informal transport^{[6][1]}.

Barriers to Formalization

Factors perpetuating informality include:

- Cumbersome and costly regulatory environments for business registration.
- Limited state capacity to enforce labor and business regulations.
- Lack of access to credit and formal infrastructure.
- Societal inequalities around gender, migration status, and education limit access to formal jobs, so disadvantaged groups seek self-employment in the informal sector^{[8][3]}.

Contributions of the Informal Economy to Urban Growth

Despite their vulnerabilities, informal economies serve indispensable functions in Africa's urbanization story:

Economic Vitality and Job Creation

- The informal sector is the main source of employment and economic activity in urban Africa, accounting for over 80% of new jobs in many cities^{[2][5]}.
- It provides a crucial buffer for those unable to secure scarce formal jobs, especially for new migrants and low-skilled labor^{[3][6]}.

Poverty Alleviation and Social Protection

- Informal work serves as a safety net preventing destitution, especially during economic shocks, pandemics, or when formal sector growth stagnates^{[1][2][9]}.
- The sector allows households to diversify income, pool resources, and avoid the sale of productive assets in crises.

Urban Services and Innovation

- Informal economies deliver key services: street food vendors ensure food security; informal public transport connects city peripheries; waste-pickers and recyclers provide environmental services^{[1][10]}.
- They foster grassroots innovation—small-scale adaptation to local needs where state or private formal provision is lacking.

SOCIAL COHESION AND COMMUNITY

- Informality is woven into urban community life. Networks of mutual support facilitate social resilience and civic participation^{[1][12]}.
- Informal arrangements can provide more flexible, accessible, and culturally relevant economic

opportunities compared to rigid formal sector entry requirements.

Challenges and Critiques of Informality

While vital, informal economies are not a panacea. Persistent informality in African cities is associated with:

Precarity and Vulnerability

- Informal workers operate without legal protections, facing higher risks of exploitation, income instability, and lack of social security^{[1][8]}.
- Lack of formal recognition makes them vulnerable to eviction, police harassment, and inconsistent state policy (e.g., demolitions of informal settlements for "modernization" projects)^{[1][9][6]}.

Urban Management, Inequality, and Sustainability

- Informal activities often contribute to congestion, strain on urban infrastructure, and environmental challenges (e.g., unregulated waste disposal, air pollution)^{[1][1]}.
- Gender and youth are axes of inequality in informal employment—women and young people are overrepresented in the most precarious sectors, earning less and with fewer prospects for upward mobility^{[3][8][5]}.

Growth and Productivity Constraints

- Informal enterprises are typically small, with minimal access to credit, technology, and markets, restricting growth and job creation^{[3][5]}.
- Registration and formalization are daunting due to perceived high costs and cumbersome procedures—with limited perceived benefit to enterprise owners^[3].

Case Studies: Informal Economy in Action

Cities such as Accra (Ghana), Nairobi (Kenya), and Lagos (Nigeria) exemplify the breadth and adaptability of urban informality:

- **Accra:** Informal traders dominate the markets, provide affordable food and goods, and support a complex web of supply chains^[7].
- **Nairobi:** Matatu (minibus) operators comprise a highly adaptive informal transport system that is critical for daily mobility.
- **Lagos:** Over half the urban populace is employed in informal work, from street hawking to creative industries^{[1][6][5]}.

In all cases, informality both fills gaps left by state and market while shaping the very structure of African cities.

Policy Dilemmas and Emerging Approaches

Marginalization vs. Integration

- Many urban policy initiatives have sought to "modernize" African cities, sometimes by displacing or criminalizing informal workers in the name of order, efficiency, or investment attractiveness^{[1][9]}.

- However, research increasingly shows the need to recognize and integrate informality as a partner in city-making, not as a problem to be eradicated^{[1][6]}.

Inclusive and Adaptive Urban Governance

Best practices include:

- **Regularization** of informal businesses with simplified registration, protection from harassment, and support for upgrading working conditions.
- **Inclusion** of informal sector representatives in urban planning and dialogue.
- **Social protection** adaptations tailored to the realities of informal labor—e.g., micro-insurance, saving collectives, and public health support^{[13][8]}.

Leveraging Digital and Urban Infrastructure

- High mobile phone penetration even among informal workers opens the possibility for digital financial services, mobile taxation, and the spread of information and support services^[3].
- Improved access to urban infrastructure (water, power, transport) in informal settlements is vital for supporting both livelihoods and living standards^[8].

CONCLUSION

Informal economies are at the heart of African urban growth—essential for livelihoods, services, and city-building. Their magnitude and resilience underscore their necessity, not their dispensability. As Africa's urban future unfolds, the informal sector will continue to be both a challenge and an asset for policymakers, necessitating approaches that are inclusive, adaptive, and equitable. Harnessing the potential of informality, while addressing its vulnerabilities, will be key in shaping competitive, just, and dynamic African cities.

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