

# Are There More Bad Jobs Than Good Jobs For The Youth In Mozambique?

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**Abstract:** Unemployment is a scourge affecting the youth of Mozambique. The concept unemployment is more perceptible when analysed from two different yet, related acquaintances of this scourge being underemployment and disguised unemployment. Underemployment occurs when employees work below their capacity or are underutilizing the knowledge they possess. Disguised unemployment refers to a situation where more people than required are engaged in a particular occupation, with very low levels of productivity. Small and Medium Enterprises (SMEs) are considered, to be the universal response for solving the problem of unemployment in Mozambique. A study was carried out in Greater Maputo – representing Mozambique as a whole, to determine the influence of SMEs in unemployment creation, and to make sure that by doing so SMEs were not fomenting underemployment and disguised unemployment. The research was carried out basing on quantitative methodology using face-to-face questionnaires. The study found that underemployment and disguised unemployment were rife in Mozambique, caused by unregistered and casual employees who worked at less than their deserved capacities, in larger numbers than needed, and at very low levels of productivity. It was recommended that more support was needed to make SMEs sustainable so as to manage more efficiently their workforce.

**Keywords:** Disguised unemployment, Small and medium enterprises (SMEs), Underemployment.

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## 1. INTRODUCTION

Studies on the subject of unemployment have always concentrated on unemployment as a state of affairs of people who are out of work and are busy looking for employment (Malinvaud, 2008). Because unemployment plays such an important role in bolstering the economy, economists have long raised disquiet about some narrow definition of unemployment. In most cases the definition and investigations do not distinguish the different classifications of unemployment. Few studies have specifically investigated the subject matter underemployment and hidden or disguised unemployment especially in developing countries like Mozambique. This paper intends to determine the extent at which underemployment and hidden employment is prevalent in Mozambique. The study analyses measures already taken to address the issue of unemployment including the encouragement of entrepreneurship amongst the youth through the promotion of small and medium enterprises (SMEs). Consequently the study determines the effects of underemployment and hidden employment in the economy of Mozambique, and offer recommendations on the solutions of resolving these problems in the country.

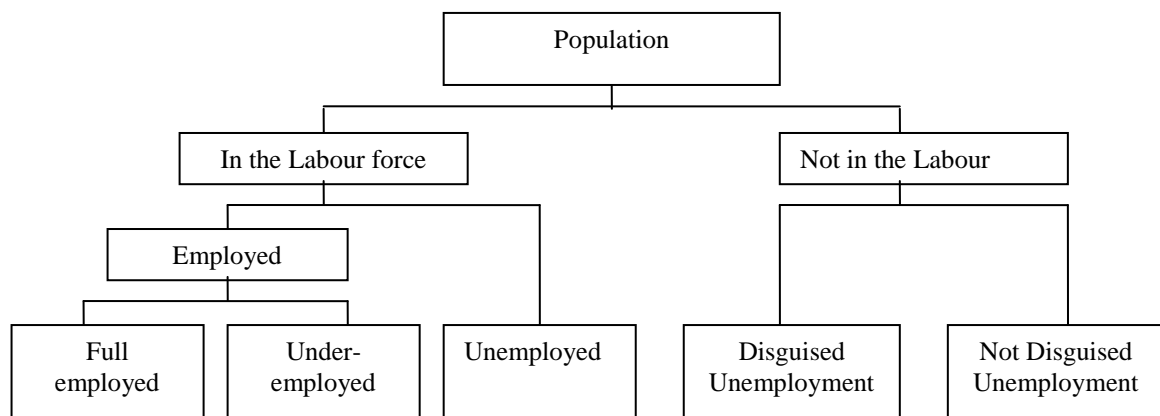
## 2. REVIEW OF RELATED LITERATURE

### 2.1 The Objectives of this Paper:

The following section aims at analysing the literature related to unemployment in general and specifically the question of underemployment and disguised unemployment amongst the youth. The literature will to a certain extent touch on the obligation of entrepreneurship in general and the role of SMEs in addressing the problem of unemployment in Mozambique.

## 2.2 The issue of Unemployment:

Unemployment in most cases is described as a state of affairs when a person who is actively searching for employment is unable to find work. Unemployment is often used as a barometer of the health of an economy (Malinvaud, 2008). The Youth Challenge International Report (2009) declared that 39% of over 6 million youth in Mozambique, are in a state of non-employment (meaning they are either unemployed or in school). According to Mapote (2013), almost 23% of all Mozambicans are unemployed. This is much more acute to young people aged 15 to 30 years who are eligible to enter the job market for the first time. The country's impressive economic growth failed to generate sufficient employment and underemployment is widespread. Within the unemployment figures, there exists high underemployment rate (approximately 80%), particularly among casual workers and unpaid family members (World Bank, 2015). To understand better the dynamic of unemployment, it is crucial to understudy the concept by analyzing two separate, yet related components of employment, being underemployment and disguised or 'hidden' unemployment in Mozambique. The distinctions of unemployment, underemployment and disguised unemployment are depicted as on Figure 1 below.



Source: Wilkins (2003).

**Figure 1: Relationship between unemployment, underemployment and disguised unemployment.**

### 2.2.1 Underemployment:

Underemployment is a situation when a person is working but isn't working at his full capability (Rehman, 2012). It refers to an employment that is not adequate to a person compared to the qualification that person has. In other words, embracing a part-time job instead of a full-time work, and possessing more experience and educational qualifications, or skills beyond the requirements of the job. Underemployment can be divided into two categories: visible and invisible.

Visible underemployment includes employees who are working fewer hours than the normal working schedule. In this situation, workers are willing and capable of working more hours, but the nature of their jobs does not offer them the chance of a full-time employment (Nunley *et al.* 2016). Sometimes workers of this type have to look for other part-time jobs in order to make ends meet. Invisible underemployment on the other hand entails persons who are working in full time jobs but don't fully utilise the skills they possess (Nunley *et al.* 2016). This is a complex type of underemployment as it is not easy to quantify or determine. Sometimes the management of the firm or the workers themselves may not realised that the skills or knowledge of the worker could be used more effectively somewhere else.

Underemployment is a recipe for poverty, because even though a person may have more than one part time job, the remunerations may not be sufficient to meet the person's basic needs. According to Baden (2011) underemployment also incorporates persons who work full-time but live beneath the poverty level. In many developing countries the authorities may think that there is little unemployment in their economies, but in reality most of those regarded as employed are actually underemployed, doing part time jobs and earning meagre wages. The International Labour Organization (ILO) recognizes underemployment as the underutilization of the productive capacity of everyone who is employed, and has shown immense concern about this phenomenon (Bonnal *et al.* 2009). With this predicament in mind, the ILO has expanded the definition by saying that underemployment, included all employed persons who are willing to work additional hours within a particular subsequent, but cannot, and work less than a specified working-time threshold (Bonnal *et al.* 2009). The ILO time-related definition, although well elaborated, excludes a significant source of underemployment—labour productivity growth.

**2.2.1.1 Underemployment in Mozambique:**

Mozambique’s working poor are more numerous than Sub-Saharan Africa’s average. It is estimated that 60% of workers in employment are living for less than US\$1.25 a day (Byiers, 2009). The reality is that many of these people are employed in areas where they don’t fully make use of their full potential. This is certainly a prototype of underemployment. In accordance with Mozambican official statistics, underemployment is defined as working less than 40 hours per week (Jones & Tarp, 2012). Consistent with its many working poor, Mozambique has a small middle class who live on smaller income per day, even in comparison with other Sub-Saharan Africa as shown on Table 1.

**Table 1: Comparison of people’s income per day in Mozambique compared to Sub-Saharan Africa**

People who live with this amount a day	In Mozambique (%)	Rest of Sub-Saharan Africa (%)
Between \$2 - \$4	7	14
Between \$4 - \$20	2.6	10

Source: (Byiers, 2009)

According to Reisman and Lalá (2012) there is uncontrolled rural urban migration to cities such as Maputo. The flocks of mainly youths swamping to major cities such as Maputo who are not fully absorbed in employment opportunities is an issue that needs proper assessment. Jones and Tarp (2012) assert that despite the fact that most of the youth population are economically active only a minority are fully employed. About 75% of these youths are engaged in petty informal activities, such as selling merchandize on street pavements (USAID/Speed, 2009). The reasons that so many youths enter into informal unemployment, originates from the simple fact that there is no formal employment available. The government has no means to provide employment and has no social security programs to support those who are out of work (Essay-UK, 2017). This implies that low productivity; low quality (or bad) jobs are widespread, leading to underemployment (Jones & Tarp, 2012). Table 2 gives a summary of the discussion above and demonstrates the relationship between youth unemployment and underemployment in Mozambique categorised between urban and rural areas, and on gender differences.

**Table 2: Unemployment, youth unemployment and underemployment in Mozambique – Period (2004/05)**

Demographic Distribution	Unemployment %	Youth unemployment %	Underemployment %
Urban	31	51	10
Rural	13	22	14
Male	15	30	17
Female	22	34	8

Source: INE (2006)

Informal activity is usually difficult to quantify. The National Institute of Statistics (INE) affirms that a firm is formal only if it complies with the following conditions: (i) if it is registered at the provincial level with the commerce department, or the finance department (ii) or if it is in possession of an official document, either a license or a registration record (INE, 2006). Jones and Tarp (2012) assert that the informal sector in Mozambique contributed to almost 41 percent of GDP in 2003 and 40 percent in 2004. The decline in the country’s growth rate, especially during the 2015-2016 economic downturn resulted in many enterprises shutting down or downsizing, so as to reduce their costs of operation (Verdade, 2016). Most of the retrenched workers had no other option of getting employed, but to opt for the informal sector, engaging in part time petty occupations, working for fewer hours thus contributed largely to underemployment in the country.

Another factor contributing to underemployment in Mozambique is due to the unfriendly taxation regimes and bureaucratic company registration procedures. De Soto 1989 (cited in Essay-UK, 2017) argues that the small business sector is made up of potential endeavours that are forced to run their business illegally due to increase in tax, flaws in tax system, state excess regulation such as licensing requirement and bureaucracy. Roberts (2003) claims that to register a business in Mozambique, involves 19 procedures taking approximately 149 days at a cost of \$256, which is 110 percent of GDP per capita. Informality is therefore the most viable refuge for potential entrepreneurs in Mozambique

### ***2.2.2 Disguised unemployment:***

The concept disguised or hidden unemployment is sometimes confused with underemployment (Erdogan & Bauer, 2009). Disguised unemployment or hidden employment exists when employees are working in a redundant manner either working in a firm or an agricultural area, where more people are working in that area than is necessary (Olubukola, 2013). Therefore disguised unemployment refers to the situation where surplus manpower is employed in a production area out of which some individuals have zero or almost zero marginal productivity such that even if they are removed the total level of output remains unchanged (Rehman, 2012: 242). This type of unemployment is more rampant in developing countries where large populations breed a surplus of labour force (Olubukola, 2013). As Rehman (2012) reports, in the case of Pakistan the agricultural sector employs 45.7% of the labour force, whilst the industrial and manufacturing sectors hardly absorbs 13.2% of the total labour force. A lot of these agriculture sector employees form part of disguised unemployment, which is below the expectations of full employment and contribute to increased poverty in these countries. Disguised unemployment may also occur in countries that have strict labour laws restricting the firing of workers. Due to legal or social restrictions on firing and lay-offs, and interventions of labour union, managers in such countries are required to provide a solid case before firing an employee (Joliat & Li, 2007).

#### ***2.2.2.1 Disguised unemployment in Mozambique:***

In many small businesses, both formal and informal, due to the existence of abundant unemployed youth willing to receive small remunerations, some owner-managers in Mozambique would contract more workers than necessary to work in their businesses. These workers may be full time employees or part time labourers, who are not registered in the firm's records. The workers are normally paid dismal wages below the established government's minimum wages threshold, and may be dismissed at the whim of the owner-manager, or when their services are no longer needed (Fox & Sohnesen, 2013). The workers offer themselves to exploitative employment as they have no other option or source of making a living. Owner-managers are aware of the worker's predicament and the fact that they can accept any remuneration offered. Mozambique is characterised by informal businesses. According to the USAID/Speed (2009) report, 77% of the labour force is involved in informal activities. Workers in the informal sector are not recognized by the department of labour, and are not registered with the provident fund. Some revisions in the labour laws have been made in recent times with the enacting of the labour law of 2007 (Law No. 4/2007; USAID/Speed, 2009). Among other things, the law broadened social security coverage to the informal sector to allow employees in this sector to be covered by social security programs. International experience in similar situations has however proven hard to implement. In Mozambique, disguised unemployment is present in both formal and informal businesses, but it is mainly concentrated in the informal sector. The labour market remains overshadowed by low productivity. Put differently, Jones and Tarp (2012) assert that the economy failed to generate sufficient high quality jobs that effectively translated macroeconomic growth into welfare gains. Disguised unemployment and underemployment are visible everywhere in Mozambique.

### **2.3 Measures at addressing the problem of unemployment:**

There are several measures that have been adopted by numerous countries, especially in Africa to address the general problem of unemployment. These measures have however, rarely diagnosed unemployment by examining separately the components underemployment and disguised unemployment. In Mozambique for example, two economic factors are frequently cited as holistic solution for employment creation to the youth, namely entrepreneurship and small and medium enterprises (SMEs). The following sections offer a further analysis of the two distinguished concepts.

#### ***2.3.1 Promotion of entrepreneurship in Mozambique:***

Entrepreneurship refers to an individual's ability to turn ideas into actions. It takes into consideration the power of initiative, innovation, creativity and risk-taking, including the ability to plan and manage different undertakings to attain success (Nagler & Naudé, 2014). The weakness of home-grown entrepreneurship is mentioned among the main causes of the developmental crisis in Mozambique (Valá 2007). According to the World Bank (2015) the Human Development Index for years 2000-2014 puts Mozambique at the 181<sup>st</sup> position, which is a very low level of human development both in the spheres of education and social advancement, even in comparison to sub-Saharan Africa standards. The quest is therefore to encourage entrepreneurship in order to further business activities in the country that would result in employment and growth. In Mozambique, the institute of promotion of small and medium enterprises (IPEME) and the national institute of employment and professional training (INEFP) were conceived to ensure that the system met both the need of formal and informal sectors, promoting entrepreneurship, on the job training and apprenticeship training (INEFP,

2013). Entrepreneurship is therefore crucial to encourage the youth to come up with business ideas that will secure them an occupation and relieve them from poverty. It is assumed that entrepreneurial youth are prone to establish SMEs that they can run, get income and sustain themselves and their families and eventually add to more employment in the economy.

### **2.3.2 The role of SMEs in Mozambique:**

SMEs are a product of entrepreneurship, and are endowed with the prospect of generating direct and indirect employment especially for young people. Micro and SMEs are not only the fastest growing sectors in Mozambique and Africa - they are also considered an outlet for indigenous entrepreneurship (Vletter de, 1996; cited in Kauffman & Parlmeyer, 2000). Fox and Sohnesen (2013) revealed that a lot of new jobs came about from start-up micro, small and medium enterprises rather than hiring within the existing SMEs. According to Fox and Sohnesen (2013) out of all registered SMEs in Mozambique, ninety-six percent are run by a single person with or without family help, while only 4% of SMEs reported hiring any worker outside the family. In his assessment of SMEs in Mozambique, Zimba (2015) reveals that although SMEs represented a larger portion of all registered businesses in Mozambique employing close to 70% of all working population, they contributed to a modest 24.1% of the National income. The scenario in Mozambique where start-ups are funded almost entirely from personal funds tends to keep the SMEs in the shadows of informal sector, where business activity remains unknown (Fox & Sohnesen, 2013). This may encourage tax evasion because one may feel that no assistance came from the state, hence there is no obligation to be rendered to the state.

The little support rendered to SMEs in Mozambique has left the SMEs vulnerable to the ills of underemployment and disguised unemployment. As mentioned earlier, a large number of SMEs are not able to hire full time employees, preferring alternatively to use part-time workers who do not work for full working schedule, or hiring workers who do not use their full potential consequently creating the situation of underemployment. In other circumstances SMEs mass together more people than necessary in stores or shops, doing limited contribution to the jobs and paid miserable wages. As most of these workers are unregistered, they have no supporting bodies to turn to, but remain overcrowded in production or services areas where their productivity is negligible. This is a clear demonstrating of disguised unemployment. Data made available by UK-Essays (2017) reveal that a medium company in Mozambique employed only 2 workers and almost 78% have fewer than five workers. These are known workers; any other workers engaged in such enterprises would be either part-time or undocumented, summing up to increased underemployment and disguised unemployment.

## **3. METHODOLOGY**

The problems of underemployment and disguised unemployment may arise in both the formal and informal sectors of the economy. The unregistered informal sector, being uncontrolled and unregulated offers a more conducive environment for the occurrence of the two economic maladies. From previous studies in Mozambique, it has not been straightforward to obtain feasible and quantifiable data from the informal sector. Most informal businesses do not keep records such as accounting reports and workers registrations. This study will concentrate on formal registered SMEs chosen from a population in Greater Maputo to represent the country as a whole. A total of 550 SMEs were selected from the population of SMEs of Greater Maputo. In order to attain an in-depth analysis of the study it was deemed appropriate to separate SMEs businesses, into three distinctive groups, being the manufacturing, services and commerce sub-sectors, consequently the stratified random sampling strategy was adopted to gather the sample for the study. The term manufacturing in this context refers to SMEs whose nature of activity tends to add a tangible value to a product (Houssein *et al.* 2013). Garages, panel beating shops and construction firm are also included into this sub-sector. Firms in the services sub-sector are SMEs that offer services such as customs clearing, insurance firms, training colleges and institutions; medical or dentistry services; accounting firm, transport companies, catering services, airline ticketing and sales representation agencies. The commerce sub-sector encompasses commercial activities such as supermarkets and shops selling general goods without adding any tangible value. Hotels, inns, restaurants, laundries, car washing centres, hair and beauty salons, take away shops, guest houses offering accommodation and refectory services may be included into this sub-group (Adlung & Soprana, 2012).

A face to face interview was conducted in Greater Maputo using structured, close-ended questionnaires. The objective was to study four variables that were considered crucial in answering the problem of underemployment and disguised unemployment amongst the youth in Mozambique. The variables analysed included the ownership structures of the SMEs, age of the enterprises, number of employees and the annual turnover of the firms.

#### 4. RESULTS AND DISCUSSIONS

Out of the 550 questionnaires received from the sampled SMEs through face-to-face survey, only 485 could be used. These were processed using the SPSS program and outcome was evaluated churning out descriptive statistics, in the form of frequencies and tables. The following subdivisions discuss the results of the four variables that were scrutinized, ending with an inference at the termination of the section.

##### 4.1 Ownership structures:

From the study of the SMEs in Greater Maputo the results show that sole proprietorship was the common means of ownership for the majority of SMEs across the three sub-sectors. The manufacturing sub-sector had the largest proportion (73.6%) of single proprietor followed by the services sector with 66.1% and 64.9% of SMEs in the commerce sector. The results are detailed in Table 3 below.

**Table 3: Ownership structures of SMEs in Greater Maputo**

Ownership structure	Manufacturing		Services		Commerce	
	Frequency	%	Frequency	%	Frequency	%
Sole Proprietor	95	73.6	160	66.1	74	64.9
Community/Family	32	24.8	72	29.8	35	30.7
Multiple shareholders	2	1.6	7	2.9	4	3.5
Missing	0	0	3	1.2	1	0.9
<b>Total</b>	<b>129</b>	<b>100</b>	<b>242</b>	<b>100</b>	<b>114</b>	<b>100</b>

Manufacturing firms in Mozambique tended to be structured around a sole founder with ownership structures largely remaining concentrated on the owner. It is common practice in Mozambique for some single proprietors to suspend production for several months of the year to attend to family issues or go farming during the rainy season. Fox and Sorrenson (2013) reveal that although many owners in Mozambique reported that their businesses are their primary income earning activities; only 65 percent of the SMEs operate their business around the year. Such proprietors do not engage permanent employees; they normally hire workers when needed and discard them when they put activities on hold. The same circumstances would apply within the services sub-sector, but to a lesser extent in the commerce sub-sector, because the later uses a lot of family support.

Kaufmann and Parlmeyer (2000) assert that many SMEs in Mozambique came from the indigenous informal sector using traditional production techniques, and employed a limited number of workers. Results from this study prove that SMEs proprietors used their work force on part time basis, frequently working fewer hours than deserved, and most likely getting paid lower wages than stipulated by the labour department. Considerable number of employees remained unregistered, with limited bargaining power within the labour departments or trade unions. Underemployment is therefore rife in these types of business operations in Mozambique.

##### 4.2 Age of the SMEs in the three sub-sectors:

The second variable to be analyzed was the age of the firm. The manufacturing sub-sector had the largest number of firms that have been in operation for more than ten years (54.2%) followed by commerce with 36.8 percent. In the services sub-sector 25.2% of the firms were found to be over ten years old. Conversely, 32.6% of all SMEs sampled in the services sub-sector had the youngest firms of less than three years, compared to the commerce sub-sector at 26.3% and manufacturing at 14% respectively. In the 4 – 10 years age group, the services sector also predominates with 42.2% in this category. This is shown in Table 4.

**Table 4: Ownership structures of SMEs in Greater Maputo**

Age of Firms	Manufacturing		Services		Commerce	
	Frequency	Percent	Frequency	Percent	Frequency	Percent
0-3 years	18	14	78	32.6	30	26.3
4-10 years	41	31.8	102	42.2	41	36
More than 10 years	70	54.2	60	25.2	42	36.8
Missing	0	0	2	0.8	1	0.9
<b>Total</b>	<b>129</b>	<b>100</b>	<b>242</b>	<b>100</b>	<b>114</b>	<b>100</b>

Taking from the above results, it may be assumed that the long surviving SMEs especially those from the manufacturing sub-sector should have hired more workers during their lengthy time of operations. For them to survive that long, the supposition is that manufacturing SMEs had solid structures and employees that were dedicated to the SMEs survivability. In order to answers this question it is better to look at the employment levels of SMEs in the three sub-sectors, as elaborated in the following section.

#### 4.3 Number of employees per respective SMEs:

The study of the number of workers employed across the three sub-sectors of Greater Maputo revealed that a majority of SMEs dwelled within the 1 to 15 workers bracket. More precisely 41.9% of SMEs within the manufacturing sub-sector reported to have less than 4 employees whilst 36.4% said they had between 5 to 15 employees. From the commerce sub-sector 36% of SMEs reported to have hired between 1 to 4 workers whilst 43.9% reporting having hired from 5 to 15 workers. There was no significant difference of workers employed between the two workers categories in the services sub-sector. The results are shown in Table 5.

**Table 5: Number of workers employed by SMEs within different workers categories**

Number of workers	Manufacturing		Services		Commerce	
	Frequency	Percent	Frequency	Percent	Frequency	Percent
1 to 4	54	41.9	100	41.3	41	36
5 to 15	47	36.4	103	42.6	50	43.9
16 to 25	12	9.3	20	8.3	12	10.5
26 to 50	7	5.4	12	5	5	4.4
51 to 100	7	5.4	4	1.7	5	4.4
over 100	2	1.6	3	1.2	1	0.9
<b>Total</b>	<b>129</b>	<b>100</b>	<b>242</b>	<b>100</b>	<b>114</b>	<b>100</b>

The results of the number of workers employed seem to contradict with the expectations of the previous finding relating to the SMEs ages. SMEs in the manufacturing sub-sector had 54.2% members who were more than ten years old, but the same manufacturing SMEs reported to be employing the least number of workers (41.9% having less than 4 employees). The best guess is that the manufacturing SMEs besides their longevity had no growth whatsoever as such were in no need of more workers in their enterprises. Perhaps this supposition may further be clarified by looking at the levels of annual turnover reported from the study for each of the respective sub-sectors.

#### 4.4 Annual turnover of the SMEs:

Respondents in Greater Maputo were asked to reveal their annual turnovers and the results are demonstrated in Table 6.

**Table 6: Annual turnovers as revealed by SMEs**

Turnover	Manufacturing		Service		Commerce	
	Frequency	Percent	Frequency	Percent	Frequency	Percent
\$1,000						
Below \$400	112	86.8	196	81	79	69.3
\$400 to 800	13	10	25	10.3	16	14
\$800 to 1,000	0	0	5	2.1	10	8.8
\$1,000 to 2,500	2	1.6	3	1.2	1	0.9
\$2,500 to 3,500	1	0.8	2	0.8	0	0
Over \$ 3,500	0	0	3	1.3	2	1.8
Missing	1	0.8	8	3.3	6	5.3
<b>Total</b>	<b>129</b>	<b>100</b>	<b>242</b>	<b>100</b>	<b>108</b>	<b>100</b>

The majority of SMEs from all the three sub-sectors reported annual turnovers below the \$400 000 classification. The manufacturing sub-sector had 86.8% of SMEs in this group, while the services and commerce sub-sectors featured between 81% and 69.3% respectively. Firms in the manufacturing sector fared worse in terms of annual turnovers compared to services and commerce.

The results above give a contradicting perception of the relationships between firm's age, number of workers employed and the volume of annual turnovers. The manufacturing sub-sector with longest surviving SMEs, hired the least number of workers and reported lowest turnovers. Gaur and Kesavan (2007) assert that annual turnovers say a lot about the size and organisational competency of any SMEs, or any business entity. Taking from this argument, it may be deduced that the SMEs by revealing such low annual turnovers whilst having survived in the market for so long, these reasons might be possible:

(i) SMEs in Greater Maputo, and subsequently in Mozambique; especially manufacturing SMEs, were poorly managed. According to Fox and Sohnesen (2013), a large percentage of SMEs in Mozambique operated their enterprises from homes, with public markets being the second most common operating area (30% of traders). Most SMEs offered services or produced low cost items. Modernization and innovations were not in these firms' agenda and their management styles were more spontaneous than analytical, more concerned with day-to-day operations than long-term issues, and more opportunistic than strategic in their concept.

(ii) These facts bring into perspective two other possibilities; first it may be likely that a considerable number of firms were sceptical about revealing their real turnovers in fear of taxation ramifications. The taxation system in Mozambique is deemed to be unfriendly and inflexible by SMEs prompting many of them to understate their real turnovers. Second, it could be that the SMEs had more employees than they actually revealed. These workers were not officially registered so as to avoid paying provident funds, or being bound by stringent labour laws that made it difficult to fire workers once registered.

#### **4.5 Inferences from the study in Greater Maputo:**

The fact that many long surviving firms reported possessing limited number of employees, created suspicious that SMEs endured by using unregistered workers or depended on part time casual workers. From an additional survey in this same study, it was found that about 70% of manufacturing SMEs in Greater Maputo engaged casual labourers whom they would call when needed for production, and release when less needed. Nearly 50% of commerce SMEs used part time workers, sub-contracted to sell goods in the streets or in unlicensed stands. Firms in the manufacturing and commerce SMEs do not include casual labourers and sub-contracted hawkers as part of their labour force, even if they are engaged in these activities for a number of years. Workers are not working on full time basis, and many of them are in that situation because they are desperate for a job; in most cases doing activities that required less than their qualifications. This is a clear manifestation of underemployment.

On the other hand because casual workers are undocumented, owner-manager of SMEs can hire more staff than needed for a particular job, at no additional cost. Owner-managers would pay their informal workers low wages, knowing that they are not represented by any legal body. Casual worker's productivity is typically low. Jones and Tarp (2012) reveal that Mozambican workers overall levels of productivity are low – arguing that on average Mozambican workers generate less than 1 dollar of value added per hour of work. Such a precarious and redundant practice of over-staffing casual worker in unproductive endeavors results in disguised unemployment.

Employment within the SMEs is perhaps the most important benefit arising from SMEs, which is the main motivation for supporting this sector. However as observed from the research, a lot of SMEs instead of creating the desired employment with the intention of keeping the youth away from degradation of moral values in society, many of the SMEs in Mozambique have involuntarily contributed to underemployment and disguised unemployment which deters efforts at poverty reduction.

## **5. CONCLUSIONS AND RECOMMENDATIONS**

The paper looked into two social drawbacks related to the problem of unemployment, being underemployment and disguised unemployment. The objective was to determine factors that contributed to underemployment and disguised unemployment in the country. It was found that ownership structures of the SMEs, especially manufacturing SMEs was overwhelmingly based on a single proprietor implying that expansion was difficult to attain. Most sole owner-managers depended on casual labourers for production and vending their goods. In addition most SMEs, besides their longevity, had very slow rate of workers employment, and low annual turnovers. Two circumstances were possible; first, it was suspected that many SMEs owner-managers were sceptical of revealing the real numbers of workers because many of them were unregistered, working as casual labourers. Second, owner-managers reviled the taxation and the provident fund regulatory systems of the country which they found to be unfriendly and exploitative. The presence of so many casual and



unregistered workers working part time, without putting their knowledge or skills into full use contributed to underemployment. On the other hand the presence of abundant workers huddled into unproductive areas, working in precarious conditions at almost zero productivity meant there is prevalence of disguised unemployment within many SMEs sectors in Mozambique.

SMEs in Mozambique can come out from the aversions of underemployment and disguised unemployment if necessary support in different forms and from an assortment of sectors is rendered to them. Support could be provided by financial institutions, governments, non-governmental organizations (NGOs) and large businesses in order to solve sustenance problems encountered by SMEs in Mozambique and improve their quest of creating positive employment. It would be necessary to structure the taxation system allowing for tax holiday at start-up and in the growth phase of the SMEs. The provident fund system has to be reformed to cater for the specific needs of SMEs. Support from government is necessary for the development of SMEs so that they in turn will have an obligation to remit taxes to the government when they fall due. Positive or good employment will be the kind of occupation that will relieve the youth from poverty and add to economic development. Bad jobs brought about by the ills of underemployment and disguised unemployment will exacerbate the rate of poverty amongst the youth.

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