

## ABSTRACT

This research focuses on the informal sector as a solution for poverty in Kenya's urban centres. The existing literature indicates that removing the obstacles facing the informal sector activities and increasing linkages between the informal and formal sectors will increase the informal sectors potential for growth and development and can, therefore, be used as an alternative strategy for economic development for the urban poor (International Labour Organization (ILO) 1972, and King, 1977). However, given the existing relationships between the two sectors under the prevailing socio-economic and political conditions in Kenya, the informal sector cannot grow let alone develop. The informal sector is subordinated to the formal sector through these existing relationships. This research has been designed to demonstrate how this subordination takes place. The basic research hypothesis is that the informal sector is dependent upon and is subordinated to the formal sector from the point of view of the structural linkages between the informal and dependent upon and is subordinated to the formal sector from the point of view the structural linkages between the informal and formal sector. The linkages examined include inter-sectoral labour flows, capital flows and raw materials and commodity flows. Through the existing linkages between the informal and formal sectors more benefits are channeled to the formal sector. This is confirmed in the comparative study of various flows in the name of labour, capital and raw materials and commodities between the two sectors. In chapter four, inter-sectoral labour flows are studied. It is found that more employees leave the informal sector to get employment in the formal sector and not vice versa. This implies that labour in the informal sector is more unstable than in the formal sector. From this instability the formal sector benefits more than the informal sector. Though surplus capital is found to be transferred directly from the informal sector to the formal sector in chapter five, subsequent analysis in the chapter also indicates that this surplus capital is indirectly transferred to the formal sector through ownership of the informal sector activities by the formal sector. The formal sector invests its capital directly into the informal sector from which it receives high profits. Chapter six confirms the allegation by Scott (1977) that through the raw material and commodity flows between the informal and formal sectors .The operators of the informal sector activities are made outworkers of the formal sector operators. Thus the inform sector operators are supplied with free raw materials by the formal sector operators. The informal sector operators produce the final products from these free given materials and are paid by the formal sector operators. They, therefore, finally become employees of the formal sector operators rather than being independent informal sector operators.