

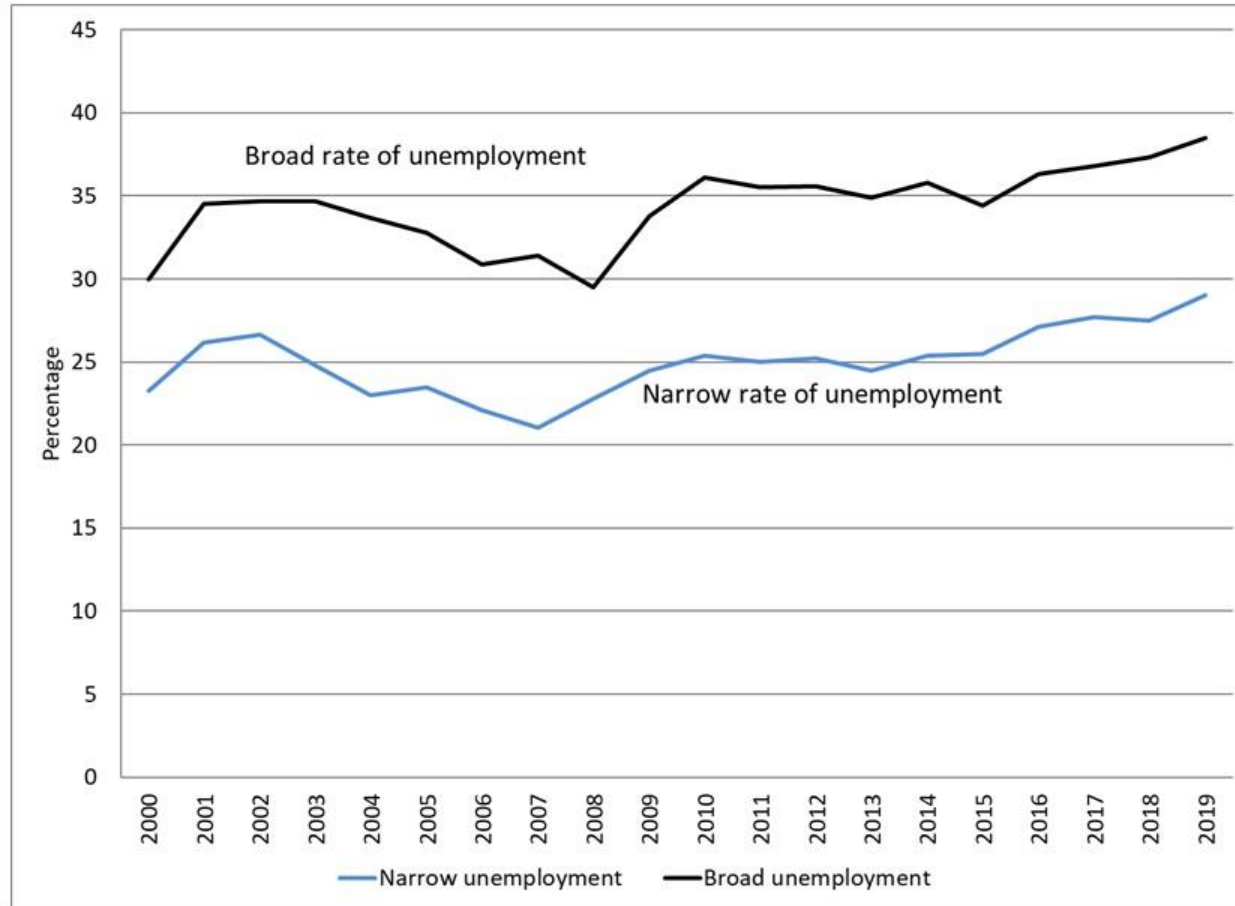
**Werkskepping in elke dorp:
kan (ons) die informele sektor help?**

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Werkloosheid (en armoede) is te erg



10.2 m

6.7 m

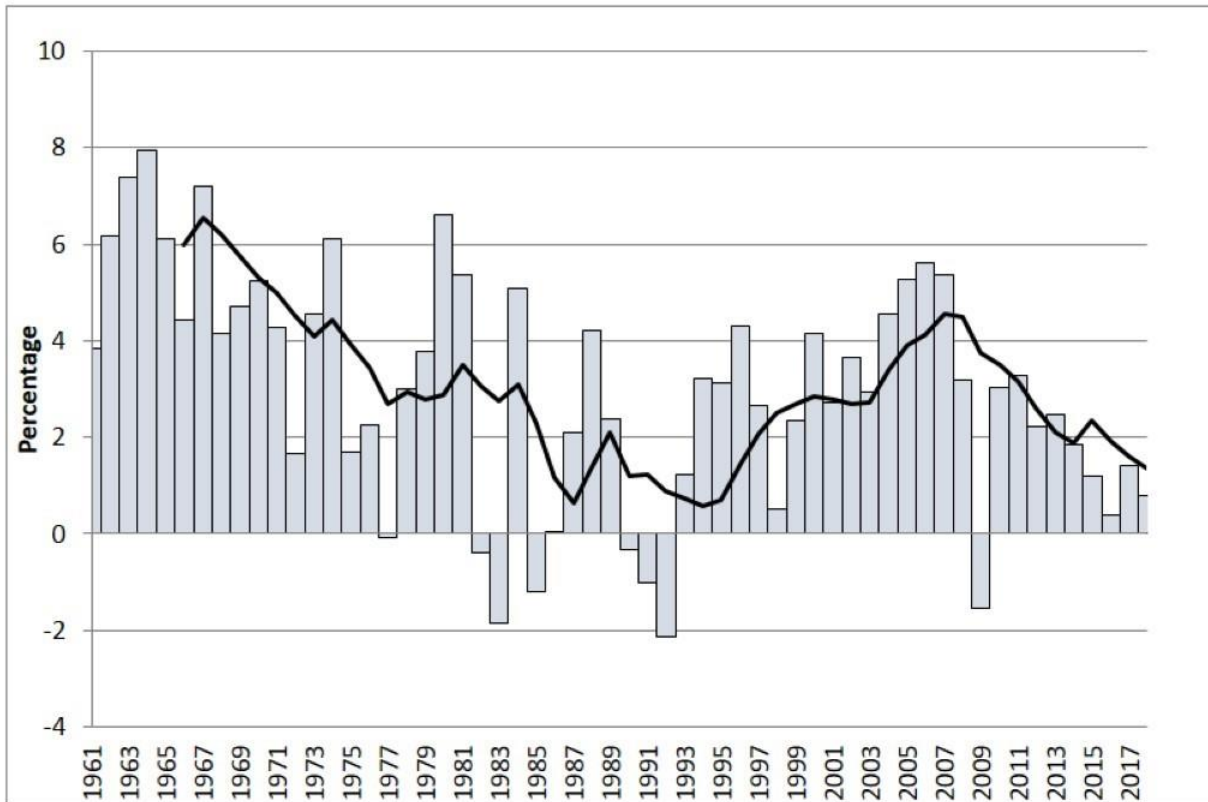
Employed: 16.3 m

Labour force: 26.5 m

**Population
aged 15-64: 38.4 m**

Ons kan nie sit en 'wag vir groei' nie...

Economic growth rate of South Africa 1961 - 2017

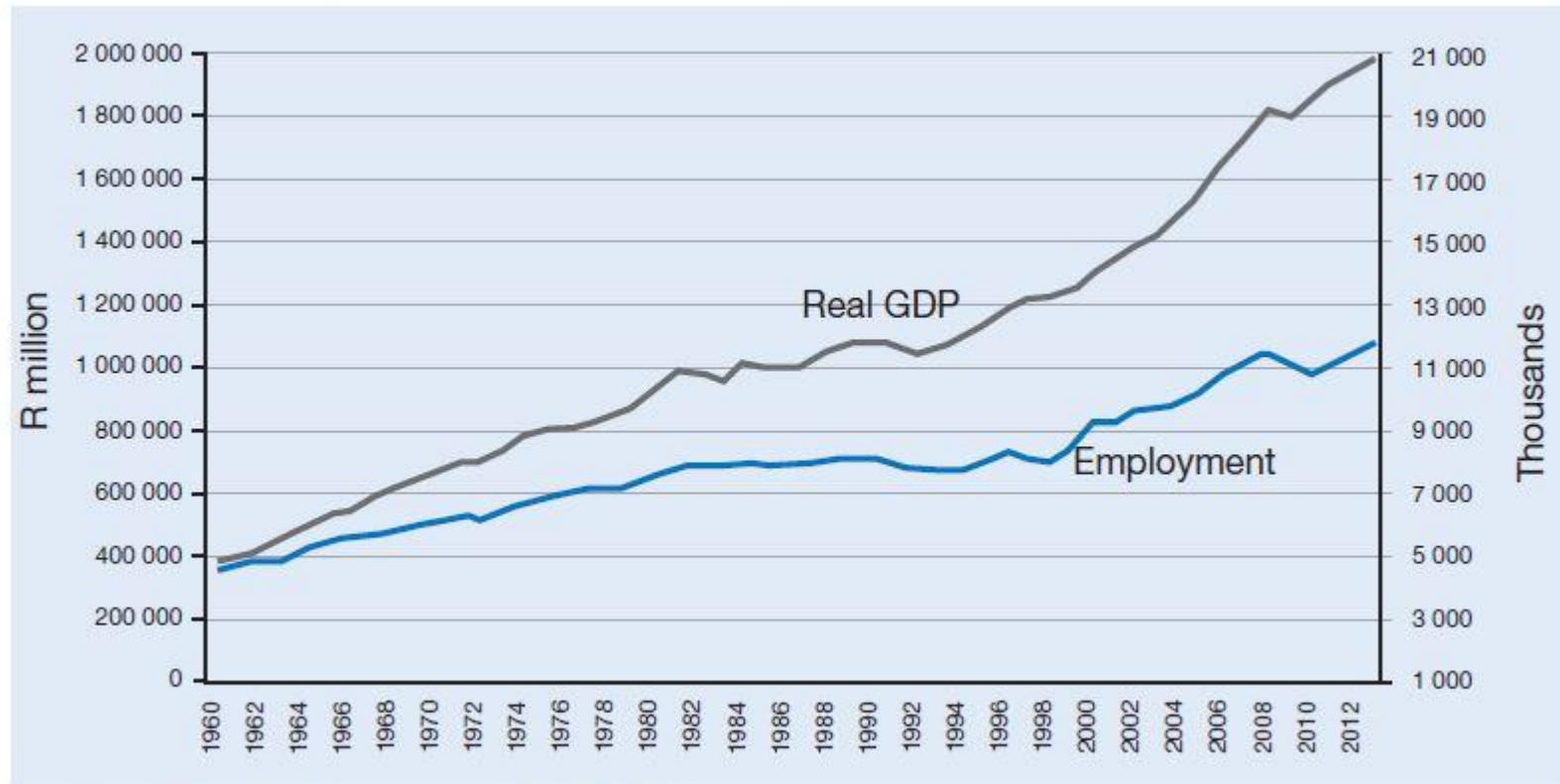


Die ongemaklike realiteit

- **SA groei is nie inklusief nie** – te min arm mense is aktief deel van ekonomiese prosesse
- **BBP groei in SA is nie arbeidsintensief nie** – ‘n lae koers van ‘arbeidsabsorpsie’
 - **Indiensnamekoëffisient = ongeveer 0.5**
 - **Dus onwaarskynlik dat groei in die formele sektor genoeg mense sal absorber om werkloosheid genoeg te laat daal**
- **Dalende arbeidsintensiwiteit** is fundamentele eienskap van die SA ekonomie, ten spite van vele pogings om dit om te keer: dis wat tegnologie doen

Indiensname groei stadiger as BBP

Figure 1.3 Real GDP (LHS) and total formal-sector employment (RHS) since 1960



Source: South African Reserve Bank; Statistics SA

(Dit wys die indiensname-koëffisient is ongeveer 0.5)

Hoekom kyk na die informele sektor?

- 'n Gebrek aan arbeidsmark-inkomste is seker die grootste oorsaak van armoede en ongelykheid
- En miljoene mense werk en maak 'n (karige) lewe in die informele sektor in *townships* en elders, sonder enige ondersteuning

Maar:

Die informele sektor word grootliks geïgnoreer in ekonomiese beleidsdokumente, bv. NOP,

- Pres. Ramaphosa se *Stimulus Package* (Augustus 2018)
- *Jobs Summit* van Oktober 2018 – al word gesê die *township* ekonomie is belangrik (bv. nywerheidsparke?)

DSBD beleidsdokument (NIBUS) se implementering stadig (kyk hieronder)

The nature of the informal sector?

Many policymakers and business people see the informal sector as

... mostly made up of street traders and waste pickers

... mostly 'own-account workers'

... perhaps with a few unpaid family members helping out

... with few skills

... as 'survivalist', 'without entrepreneurial ambitions'

... and not much potential unless/until they graduate to the formal sector.

This picture is not correct, as shown below.

Yet for many decades the sector has remained forgotten or in the margins of economic analysis and policy consciousness.

[Or as a rural development issue, or a social welfare/protection issue]

Basic definitions

Informal enterprises: Enterprises, both with and without employees, that are not incorporated and not registered for taxation

- 'Seedling' / 'embryonic' enterprises

Informal sector: All informal enterprises, their owner-operators/employers and all employees, paid and unpaid, in all economic sectors

- It excludes domestic workers and also subsistence agriculture, which is defined as not producing for the market but rather for own use
- *Note that official StatsSA data list the agriculture sector (formal and informal) separately*

DIE VLAK VAN WERKSGELEENTHEDE - KORTLIKS:

Hoeveel informele sektor ondernemings in SA?

Twee miljoen in 2019

Hoeveel mense werk in informele ondernemings in die informele sektor?

Drie miljoen in 2019

1 uit 6 wat werk het, werk in die informele sektor.

(18% van totale indiensname)

Size of the informal sector by province

		'Informal Sector Survey' (SESE)				Quarterly Labour Force Survey (QLFS)			
		Enterprises (thousands)				Owners and employees (thousands)			
		Number	Share	Number	Share	Number			Share
Provinces		2013		2017		2008Q3	2015Q3	2018Q3	2018
Western Cape		91	6.0%	153	8.5%	185	261	281	9.3%
	Cape Town						171	179	
	Non-metro						90	102	
Eastern Cape		144	9.5%					339	11.2%
Northern Cape		12	0.8%					27	0.9%
Free State		61	4.0%					133	4.4%
KZN		304	20.0%					480	15.9%
North West		74	4.9%					150	5.0%
Gauteng		454	29.9%					829	27.5%
Mpumalanga		161	10.6%					319	10.6%
Limpopo		216	14.2%					457	15.1%
TOTAL SA		1 517	100%	1 793		2 278	2 721	3 017	100%

WCape informal sector share of total WCape employment: 11.4%

The informal sector is an important source of employment (and of *paid employment*) . . . with a growing propensity to employ.

Both one-person and multi-person enterprises are important

- **80:20 . . . though the proportion of employing firms is growing steadily**
- **The 20%: about 400 000 multi-person firms provide *paid employment* to 1.2 million workers (2019 estimate)**

**** Half of those working in the informal sector work in multi-person enterprises (i.e. firms with employees).***

Enterprise and employment numbers: 2013 & 2019*

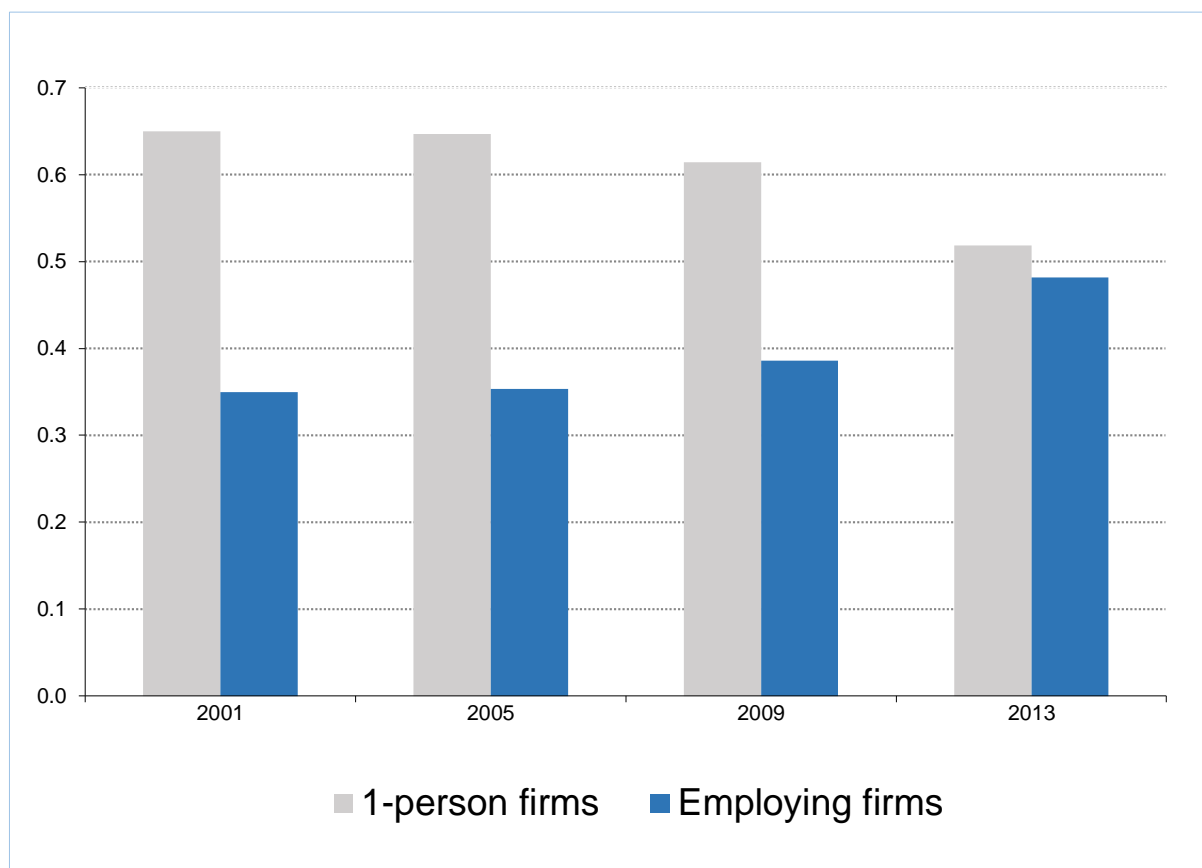
... showing the importance of multiperson (employing) firms

	2013	2019*
Number of owners/enterprises:	1.45m	1.98m
One-person enterprises (& owners)	1.15m	1.57m
Multiperson enterprises (& owners)	300 000	410 000
Number of employees	760 000	1.05m
of which paid employees	550 000	750 000
Total working in informal sector	2.2m	3.03m
<i>Formal employment in mining sector</i>	<i>420 000</i>	<i>380 000</i>

1.16m paid workers (2019)*

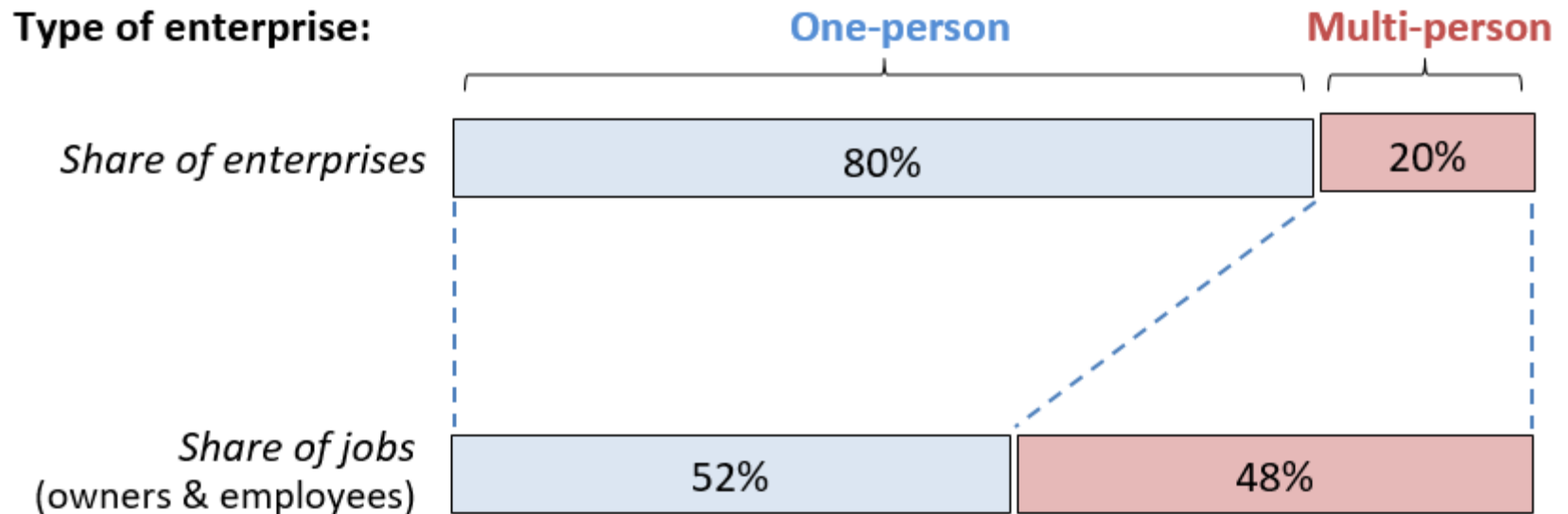
Total employment, formal + informal sectors + agri + househ = 15 million (2013) ; 16.3 million (2019)

Figure 1: Share of persons working in one-person and multi-person informal enterprises 2001–2013



*Growing proportion working in multi-person enterprises . . .
Owners with better levels of schooling (matric and post-matric)*

20% of enterprises create half of all the employment in the informal sector



These 20% multi-person enterprises provided about 850 000 paid jobs in 2013 (and 1.16m in 2019*)

- This is almost twice the direct employment in the formal mining sector in 2013 (or 3x in 2019?)***

New jobs: enterprise entry and expansion

More than half a million new jobs were created in a one-year period (2013 national data).

- **Employment expansion: About 150 000** in both initial one-person and multi-person enterprises.
(About 60 000 jobs were lost due to employment cutbacks.)
- **Entry of new enterprises: About 380 000 new jobs** due to about 300 000 businesses starting – both one-person and multi-person.
 - However, about 40% of start-ups may close down within six months, reflecting early-stage **vulnerability** in particular.

**** Compare the Jobs Summit goal of creating (only?) 275 000 jobs.**

The informal sector needs to be supported to sustain its job creation.

The informal sector is as diverse as the formal sector and comprises all industries – almost a ‘normal’ economy profile.

Thus the informal sector comprises much more in addition to street traders and waste pickers.

- The share of retail and street trading is shrinking (70% in 2001 to below 50% in 2019).

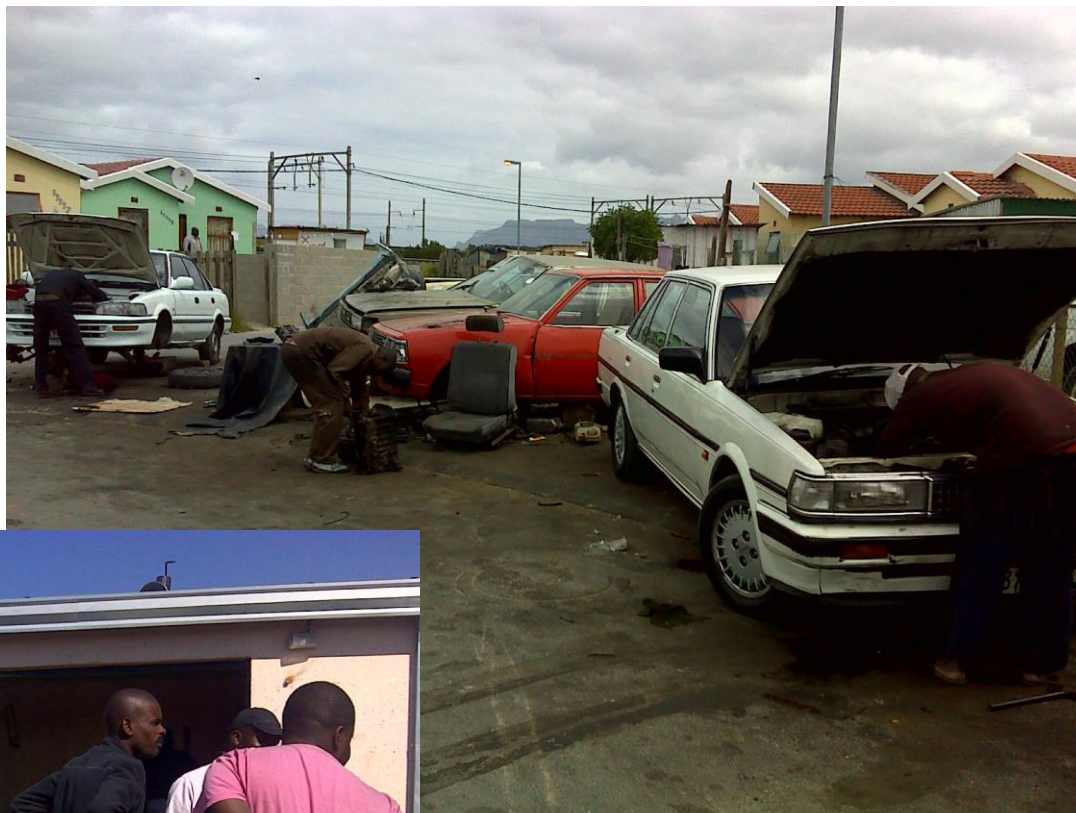
Most of the employing enterprises are in construction, retail trade and services, but also in manufacturing and communication.

*** The informal construction industry has a very high propensity to employ.**

**A quick tour of the diversity of the informal sector
(apart from street food traders and waste pickers):**

Mostly a case of no premises, or unsuitable premises.

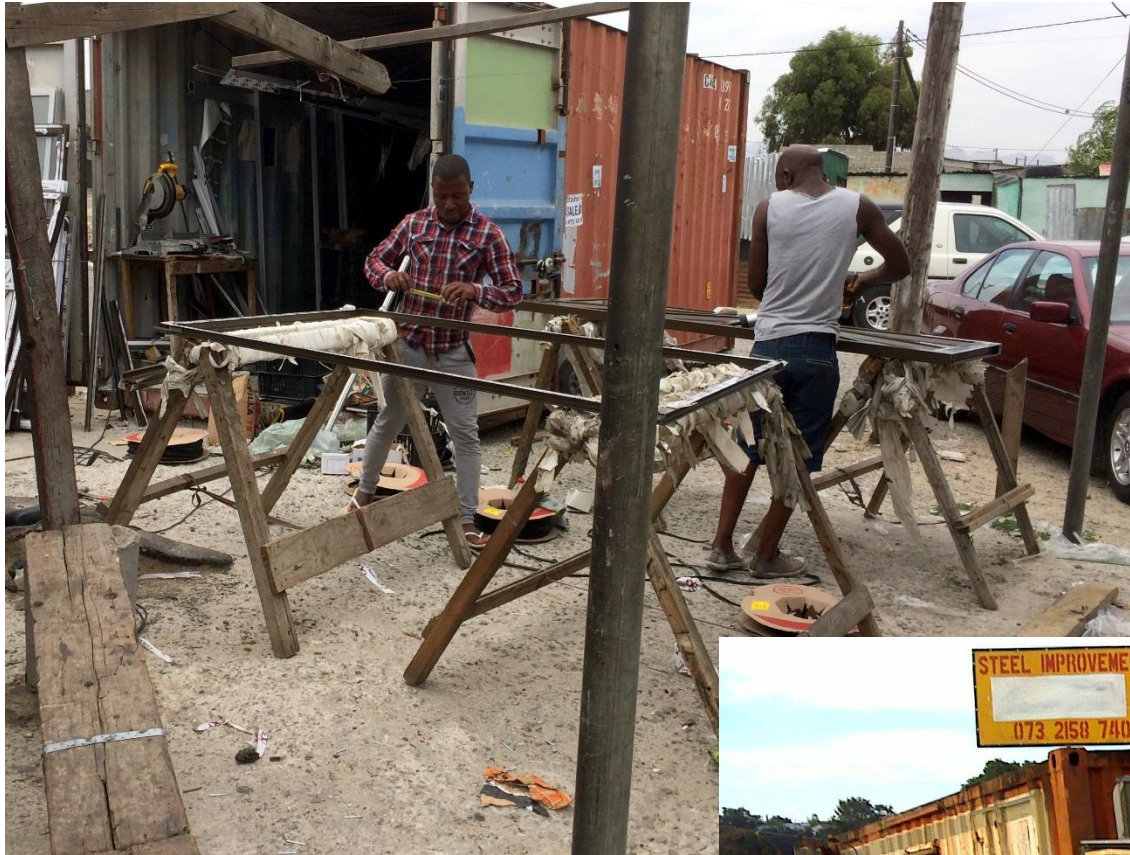
Care and tyre repair



Computer sales & repairs

Educare centre





Steelwork enterprises

Glass & aluminium





Plant nursery



Furniture manufacturing



Building enterprises

So: Werkskepping in elke dorp?

Die informele sektor het duidelik meer substansie en potensiaal as werkskepper as wat baie mense beseef.

Wat kan/moet die plaaslike owerheid doen?

Hoe kan die sakektor die informele sektor help om sterker te wees?

The current informal-sector policy environment: benign neglect, ambiguity, or active repression?

- **NDP?** Chapter on 'economy and employment' has no analysis of the informal sector at all (!). Focus on formal small business.
- **NIBUS (2014: dti & Dept of Small Business Development):** first national policy for the informal sector, but implementation slow, also dependent on provincial and local government buy-in.
- **Provincial governments:** some with good policy documents, e.g. Gauteng, under rubric of 'township economy'
- **Local government:** some metros very active (Cape Town, Durban); but policy support measures often overshadowed by harassment of street traders or illegal trading

What role for *formalisation*?

Idea of ‘**formalising the informal sector**’ has been propounded internationally by the International Labour Organisation (ILO)

– Alive in South African policy circles, often as the main objective of (or condition for) policy support, especially at local government level.

– Often narrowly conceived in terms of enforcing business licencing, mainstream regulations and tax registration

– These are blunt instruments that can be destructive.

– One must convince municipalities to avoid such an approach. A much more nuanced approach is needed, informed by the needs of informal enterprises at each stage of development

‘Seedling enterprises’ need nurturing, not suppression

Government must help ensure that the seedlings have water, compost and supports – rather than whether they are ‘neatly planted in a row’ . . .

‘Smart’ policy would be developmental and recognise a *spectrum of informal/pre-formal enterprises*

- from embryonic to mature
- whether one- or multi-person
- at various stages of entry, survival, development, profitability, capital strength and sophistication, and
- with different needs, aspirations, growth-orientation and entrepreneurial aptitudes.

‘Smart formalisation’? Offer a *menu of elements of formality* which enterprises can access as required, in step-wise fashion, as they become more mature and gradually more formalised.

Forced formalisation is not the way to go.

High danger of the wrong medicine at the wrong time...

The menu can comprise both

- **government policy elements (provision of water, electricity, etc., business facilities; licences, supportive regulation, funding, training), and**
- **private sector elements (banking, loans, rental space, mentorship, financial administration, supply chains, etc.)**

Ample opportunity for business chambers to get involved to facilitate such initiatives.

Where to start?

Start with the main obstacles and constraints that lead to informal enterprise failure and a loss of jobs (as also identified in our research).

These include:

- a lack of suitable and secure premises in good locations
- limited or no bookkeeping skills to get a 'picture' of how the business is doing (separate from the household's finances)
- a lack of finance and credit ... and
- being the target not only of crime, but also harassment by local government.

These undermine informal enterprise viability and growth

and also hinder owners in reaching beyond local markets, graduating to upper tiers of the sector, or stepping up to higher-value markets and formal-sector value chains.

Developmental initiatives and policies should aim to enable informal enterprises to become self-standing and self-reliant, viable institutions

A good place to start is **basic bookkeeping skills** (income and costs) **and suitable premises** – factors associated with employment growth.

. . . which means, inter alia, that they become organisationally and financially separate from the household.

For example, keeping books is a skill that members of a business chamber can easily assist informal enterprises with . . .

. . . e.g. a mobile 'business clinic' – a combi driving around the township regularly?

A stimulating agenda for pilot projects by business chambers and/or municipalities (or, preferably, in partnership):

- **Training and mentoring in basic bookkeeping** (income and expenditure) as a key management tool
- **training and mentoring in product development and marketing**
- **... and assessing the potential market e.g. in a township**
- **Availability of appropriate (and secure) premises ...**
- **... in good locations for the type of business**
- **Availability of utility services (water, electricity, ablution, internet)**
- **... and infrastructure**

- **Smart, development-oriented spatial planning** (urban/rural; residential/non-residential; zoning categories);
- **Development-informed regulations** (*appropriate* health, safety, fire, product, building regulations)
- **Reduce regulatory inconsistencies, vicious cycles and dead ends**
- **Promote property rights** and title deeds;
- **Access to banking and other financial services** (re start-up vulnerability as well as employment expansion);
- **Address structural barriers** to accessing informal or formal (often higher-value) markets;
- **Help to access government support programmes** (see below), and how to scale up government/private support and policy interventions.

TALK to informal business owners, sit around a table, ASK them about their needs . . .

Other factors to consider in designing and implementing policies/regulations and private-sector support:

- **reasons for operating** the business and strategic vision
- **start-up resources** and capacity / early vulnerability
- **consumption patterns** in townships – the available market for goods and services
- **industry/sector** (e.g. tradeable/non-tradeable; employment intensity; linking the corresponding formal-sector component)
- **prior work experience** of owner
- **growth and employment orientation** of owner
- **whether the owner is, or wants to be, a non-employer or employer** (one-person or multi-person enterprise)
- the **gender dimension**, notably the position of vulnerable women

Partnerships? The NIBUS informal-sector policy initiative (and NIBUS Roadmap)

****** Available national programmes for local implementation***

National Informal Business Upliftment Strategy (NIBUS) – Dept of Small Business Development

- **SEIF (Shared Economic Infrastructure Facility):** Up to R2 million per project, requires 50/50 matching funds from municipality or province.
- **IMEDP (Informal and Micro-Enterprise Development Package):** Sector-specific upliftment for skills development, compliance support, equipment & machinery, infrastructure and technological support. (Partnering with informal business organisations and municipalities, with “the private sector as enterprise development and facilitation partners”)

Summary – The Overall Agenda for government and private sector: How to ...

- assist enterprises to **enter successfully, to survive and grow employment**
- assist small, vulnerable enterprises, often run by women, **to be more viable and sustainable**
- assist and mentor enterprises who wish to **transition from being survivalist-oriented to becoming growth-oriented**
- **guide informal-sector owner-operators in:**
 - keeping separate accounts;
 - managing employees, employment benefits & minimum wages;
 - managerial and competitive awareness; accessing new markets;
 - utilising government support programmes.
- assist established enterprises to **access higher-value markets (and overcome structural barriers)**, including possible franchising.

How to ...

- **Integrate/link/partner the informal and formal sectors within an industry or sector**, e.g. in construction, steelwork, carpentry, services and wholesale/retail supply chains –
 - e.g. partnerships or ‘cooperative engagements’ between informal-sector builders and formal-sector builders
 - pilot projects to establish and assess integrated arrangements in a few industries in a few cities/towns.
- **Assist informal-sector agriculture** (usually excluded from informal-sector policies), where applicable.
- **Assist and develop the non-farm rural economy (rural towns)** in its diversity of sectors and actors.

[Note: Many of the items on this list also apply to formal micro-enterprises]

Other issues: how to...

- **Coordinate informal-sector policies** and support programmes across the three spheres of government
- **Train and capacitate local government** officials in informal-sector policy analysis, design and implementation
- **Optimally regulate the informal sector:** to attain a balance between (a) its need for supportive and protective regulation and (b) the interests of formal enterprises in industrial/commercial areas and the broader public interest

Some complications

- **Policymakers must overcome the policy discomfort, even denialism, surrounding informal enterprises. (Unwillingness to call them by name?)**
- **Informal enterprises cannot simply be subsumed under SMMEs – they have unique disempowerments, constraints, challenges, etc.**

FINAL WORD:

****** Enabling the informal sector simply must be an integral part of the response to the problems of unemployment, poverty and inequality***

. . . in every town, city and province.

Don't wait for Grand Plans from national government.

Get going.

The picture show:

Developmental pathways for informal enterprises

From...



Standard Bank



Standard Bank











to...



ASSMANG
IRON ORE

KHUMANI MINE PROJECT



Kuruman SMME Village

IN COLLABORATION WITH:
Ga-Segonyana Local Municipality



Successful construction of 57
shops where local informal traders
can operate their business from.

STALL 24

STALL





STALL 26

STALL 25

Person in background

Person in purple shirt

Stack of crates





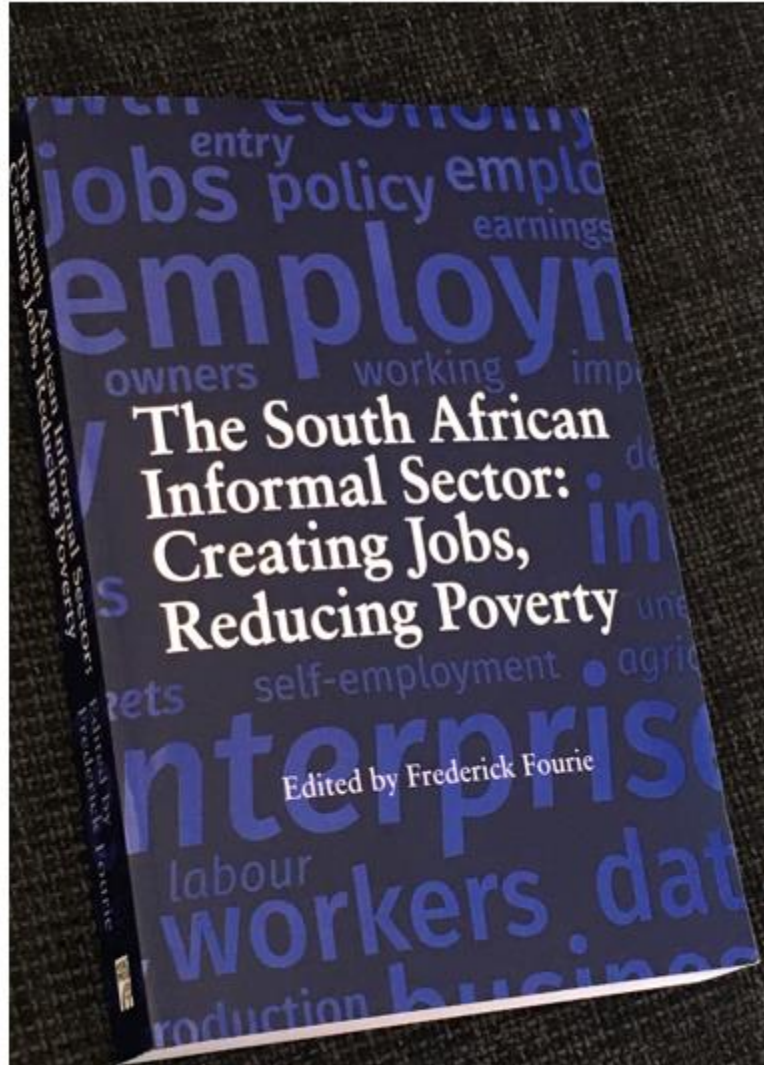
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