Who’s out there? A profile of informal traders in four South African city central business districts

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Abstract

The informal sector has gained prominence in developing countries during the past two decades, mainly as a result of the formal sector’s inability to absorb growing populations and an increasing number of individuals hoping to secure an income through self-employment in the informal sector. The situation in South African cities is no exception as the unemployment rate has fluctuated between 25.6% and 30% since 2000. The emphasis on informal trading in cities necessitates a more in-depth understanding of the informal sector and street traders at city level, for which relevant data are scarce or too general. By using data gathered among street traders in four major metropolitan areas of South Africa, this article seeks to provide a current profile of individuals that are involved in street trading in South African cities.

WIE IS DAAR BUITE? ’N PROFIEL OOR INFORMELE STRAATVERKOPERS IN VIER SUID-AFRIKAANSE SENTRALE SAKEBESIGHEIDSAREAS

Die informele sektor het in ontwikkelende lande gedurende die laaste twee dekades in prominensie gegroei as gevolg van die formele sektor wat nie in staat is om die bevolkingsgroei te absorbeer nie, en meer en meer individue wat hoop om ‘n inkomste te geneer deur middel van selfstandige werk in die informele sektor. Die situasie in Suid-Afrikaanse stede is geen uitsondering nie, ook in die lig van die werkloosheidskokers wat tussen 24% en 30% gewissel het sedert 2000. Die klem op informele handel in stede maak meer in-diepte kennis van die informele sektor en straatverkopers op stedelike vlak noodsaaklik. Relevantie data hieroor is dikwels skaars en baie generies. Hierdie artikel maak gebruik van data wat ingesamel is onder straatverkopers in vier belangrike metropolitaanse gebiede in Suid-Afrika, om ‘n hedendaagse profiel saam te stel van individue wat betrokke is by straatverkope in Suid-Afrikaanse stede.

KE MANG YA MOO? NALANE YA BAREKISI BA KGWEBO E SENG MOLAONG KA HARA DIBAKA TSA METSEMEHOLO YA DITOROPO HO LA AFRIKA BORWA


1. INTRODUCTION

In developing countries, state resources and formal employment opportunities have continued to shrink, formal sector incomes have also been badly hit by inflation, and the scourge of HIV/AIDS has continued unabated. Setsabi & Leduka (2008: 221) argue that the persistent economic crisis in Africa, particularly with regard to weak employment growth and mass poverty, is manifested most visibly in the condition of the continent’s largest cities. Increasing numbers of urban residents are forced to rely increasingly on their own resources and resourcefulness. Most have turned to the informal sector, especially street trading as a source of livelihood, while to others, street trading supplements meagre formal sector incomes (see Setsabi & Leduka, 2008; Skinner, 2008; Soetan, 1997; Tambunan, 2009). The situation in South Africa is no exception. Since 2000 the unemployment rate has fluctuated between 25.6% and 30% but never showed significant decline despite continued attempts by government to stimulate economic growth and reduce unemployment (South African Unemployment Rate, 2011: 1). Consequently, the informal sector has been the subject of extensive research as social scientists managed to capture and portray the ways in which the country’s poor have managed to create their own employment opportunities in many hostile economic and political environments (Hart, 1991: 54). Rogerson & Preston-Whyte (1991: 1) note that the lives of the majority of ordinary South Africans have been touched, at least fleetingly, by the informal economy. For many millions of people, particularly black South Africans, work and incomes secured in this sector have shaped the course of their working lives. Historically, South Africa’s informal economy has been a potential source of both opportunity and upward mobility for some households and individuals (Rogerson & Preston-Whyte 1991: 2). It is within this context that a growing emphasis is being placed on understanding the informal sector in South Africa in terms of its contribution to GDP, as a social safety net in South Africa and as a possible entrepreneurship incubator (Naidoo, Van Aardt & Uightlem, 2004: 1).

Even though some researchers have provided insight into the socio-economic characteristics of those engaged in informal work, the past decade has witnessed significant ideological, economic and physical changes in South Africa. The government’s continued engagement in stimulating economic growth, as well as shifts in ideology and attitudes towards inward migration of people from African countries are but two examples of influences that
significantly shape the profile of informal traders today. The purpose of this paper is to explore the socio-economic characteristics of people engaged in informal trade, more specifically street trading in the central business districts of four of South Africa’s metropolitan areas, e.g. Johannesburg, Tshwane [previously Pretoria], eThekwini [previously Durban] and Cape Town. Figure 1 indicates the location of these metropolitan areas in South Africa.

![Figure 1: Locality of cities selected for research](image)

2. WHAT’S SO INFORMAL ABOUT INFORMAL?

At the onset the formulation of some sort of understanding or guide as to what is meant by the informal sector in this context is required. Preston-Whyte & Rogerson (1991: 1) quote Peattie (1987) in asserting that “the informal sector is an ‘utterly fuzzy’ concept which can beguile and engulf innocent researchers into a ‘conceptual swamp’”; other authors have offered more hope of finding common ground. It seems that the essence of a common definition of the informal sector lies in the latter’s freedom from institutions of society and legality, and that there are no regulatory constraints to which activities in the informal sector as defined above, all lend themselves. Rudman (1988: 26) alludes to street trading and street vending as terms which apply to vendors of processed foodstuffs, fruit and vegetables, as well as those offering all kinds of products and services from selling newspapers to shining shoes.

Instead, they are run from homes, street pavements or other informal arrangements” (Skinner, 2006: 127).

Given this article’s emphasis on street trading viewed within the larger picture of the informal sector as defined above, a wide definition of street trading or street vending is called for. Rudman (1988: 26) alludes to street trading and hawking as terms which apply to vendors of processed foodstuffs, fruit and vegetables, as well as those offering all kinds of products and services from selling newspapers to shining shoes.

3. SOME BACKGROUND

“We’re dreamers, you see, but we’re also realists, of a sort.”

[Gibson, 2011: online]

The resurgence of interest in informal sector activity is due, in the main, to an increase in informal economic activity, especially in developing countries (Sookram & Watson, 2008: 44). Skinner (2008: 4) noted that any serious attempt to reinvent African urban centres must acknowledge the specific histories and incorporate existing local knowledge that currently sustains and recreates informal urban economic social systems. It is widely acknowledged that one of the most pressing problems faced by South African governments since the beginning of the 1990s is the future of the country’s largest cities. These cities have, during the past two decades, witnessed urban populations becoming increasingly poor, unskilled and unemployed, and this is affecting levels of health, crime and general social stability. Against this background, the South African government, like many other Third-World governments, has identified the stimulation of the informal sector as an essential mechanism in its economic strategy, and has embarked on a number of initiatives to promote it (Dewar & Watson, 1991: 181). The Accelerated and Shared Growth Initiative of South Africa renews government’s commitment to addressing joblessness and poverty and identifies infrastructure needs, skills shortages and unnecessary regulatory burdens as core constraints on economic growth. The New Growth Path (2009: 1) aims to target limited capital and capacity at activities that will maximise the creation of decent work opportunities, and supports the implementation of macro- and micropolicies to create a favourable environment for more labour-absorbing activities (The New Growth Path, 2009). Both these initiatives target small and micro-enterprises and reduce the obstacles for their entering and functioning within the economy.

This said, it must be noted that the informal economy is not merely a set of survival niches occupied by destitute people on the margins of society, even if certain activities undoubtedly do derive from the desperation to secure much-needed means of household subsistence (see Castells & Portes, 1991; Rogerson & Preston-Whyte, 1991). On the contrary, many studies have disclosed the economic dynamism of ‘unregulated income-generating activities’ and the relatively high incomes of many informal entrepreneurs, which often exceed those of formal-sector workers. One argument is therefore that, while most individuals engaged in informal economic activities are poor, it must be appreciated that ‘informal economic processes’ cross-cut the entire social structure (Castells & Portes, 1991: 14).
National data on street vending is scarce and city-level statistics even rarer. The sample sizes of national data like labour-force surveys in resource-constrained African countries are not, in most cases, large enough to be disaggregated to city level with any degree of accuracy. Given the trend of increasing decentralisation of tasks to a local level, it is increasingly important for planning purposes for local authorities to be aware of not only the number of street traders, but also their demographics and contribution to local economies (Skinner, 2008: 7).

It is clear that an informed and current understanding of the informal sector is essential for planning in our cities. The purpose of this paper is primarily to gain insight into the profile of individuals involved in the informal sector, more specifically street traders in four metropolitan areas in South Africa.

4. THE UNIVERSAL TRADER

Internationally, many studies have classified or predicted the characteristics of individuals operating in the informal sector. These studies have usually focused on nationality, age, gender and level of education. This section gives a synopsis of their findings to contextualise the South African situation.

International profiles of informal traders indicate that workers involved in the informal economy tend to have very specific characteristics that can be subsumed under the general heading of “down-graded labour” (Castells & Portes, 1991: 22). Most workers, who receive fewer benefits or less wages, or experience worse working conditions than those prevailing in the formal economy, do so because this is the prerequisite for their entry into the labour market.

Their vulnerability is not randomly produced. It depends upon certain social characteristics that allow companies to enforce their demands. The most obvious instance is involving immigrant workers, particularly the undocumented. But vulnerability also extends to all social situations that are marked by some kind of social stigma: ethnic minorities, women, and youth are common subjects of discrimination, hence potential candidates for working in informal conditions (Castells & Portes, 1991: 26).

Studies in the United States, Europe and Eastern Asia reflect a strong tendency for informal activities to be located in densely populated urban areas with high shares of immigrants, mostly Hispanic. Chinese are, however, also prominent, as are Koreans and certain European nationalities. In New York there are areas, with an almost exclusively Russian immigrant population, that have extremely diversified informal economies (Sassen-Koob, 1991: 63). Studies in most parts of the world report a tendency towards a majority of informal traders being migrants who moved to larger cities in search of jobs and better livelihood opportunities (see inter alia De Pardo & Castano, 1991; Sassen-Koob, 1991; Setsabi & Leduka, 2008; Stepick, 1991).

The informal sector, therefore, provides a refuge for migrant or immigrant workers who, through diverse push-and-pull factors, end up in major cities which are unable to absorb them in the over-capacitated labour market, hence forcing them to depend on generating their own income.

Participation in the informal sector is also more prevalent among youth between fourteen and nineteen years old and among individuals older than fifty (De Pardo & Castano, 1991: 99). Findings in South America confirm that informal sector workers appear to be concentrated at either end of the age-distribution span (Guisinger & Irfan, 1980; Fortuna & Prates, 1991). Because of the type of workers found in the informal sector – a higher percentage of the young, the old and the uneducated compared with the formal sector – it is fair to assume that the informal sector has a higher concentration of the poor (Guisinger & Irfan, 1980: 417).

There are differing reports regarding gender. In South America and Asia, for example, informal-sector workers are more likely to be female (Guisinger & Irfan, 1980; Fortuna & Prates, 1991; De Pardo & Castano, 1991), usually as a result of women operating an informal business from home while taking care of family and children. Contrarily, a recent case study in Lesotho found that 59% of street traders were male and 41% women, a ratio partly attributed to the progressive decline in employment opportunities for young men in the South African mining industry (Setsabi & Leduka, 2008: 228).

Generally, the educational profile of informal workers shows high concentrations at low levels of schooling. Significantly, informally employed women in Uruguay had a higher level of education than men (Fortuna & Prates, 1991: 82). Evidence from Bogota indicates that informality is more frequent among those with lower levels of education (De Pardo & Castano, 1991: 99). Interestingly, over half of the informally employed workers in Bogota completed elementary school while a sizeable portion (48%) of the informal workers attained advanced education so that secondary schooling or even university qualifications are no guarantee for avoiding insertion into the informal labour market (De Pardo & Castano, 1991: 99).

5. THE LOCAL STORE/Y

In Africa, disenfranchised populations face social and spatial exclusion. Whether defined by income, status, social class, gender, race, ethnicity, occupation or age, these populations face differential access to particular spaces, alongside other forms of inequality and discrimination (Smiley & Koti, 2006: vi). South Africa’s population faces similar challenges and the situation is exacerbated by the country’s inability to provide jobs for its people. Given the reality of a high unemployment rate, a fair observation is that South African cities have become more unequal than they were ten years ago with greater numbers of poor people. According to Parnell (2004: 11), this is despite steady economic expansion (characterised by growth in GDP, a declining budget deficit, falling public-sector debt and increasing foreign reserves) and the extensive efforts of the post-apartheid state to secure urban reconstruction and development. There have been significant advances in constructing a more inclusive system of governance and since 1994 urban poverty reduction has been a key national objective, with city governance slowly receiving a greater national political profile, if only because of the overwhelming importance of urban economies in maintaining and growing the national economy. These efforts cannot, however, be mentioned without balancing it against the sentiments and advocacy for economic investment and targeted upliftment in South Africa’s rural areas, as championed by the National Spatial Development Perspective (2006).

Nonetheless, the overtly developmental commitments of government have not yet had the desired impact in creating sustained growth or redistribution (Parnell, 2004: 11).
As a result of the severe shortage of new job opportunities and the over-capitated nature of the labour market, many South Africans have turned to the informal sector, and more specifically street trading, to create a means of income (Lighthelm, 2006: 35). Despite being on the streets of South Africa for many years (Rudman, 1988: 30), this sector has gained prominence during the past two decades. Many people preferred activities such as street trading or the operation of shebeens as opposed to other informal work offering very low wages to black people under the circumstances of South Africa’s labour-repressive economy (Friedman & Hambridge, 1991: 161). During the past five years of apartheid the South African government adopted a more tolerant approach to the informal economy. “The transition to democracy saw the promulgation of the 1991 Business Act. This legislation disallowed local authorities from restricting street trading. This led to a dramatic increase in these activities in all South African cities and towns” (Skinner, 2006: 16). However, South Africa’s informal sector, which since 1997 has made up between 25% and 30% of the labour force, is relatively small in comparison to other developing country contexts (Skinner, 2006: 127).

A labour force survey in 2001 reported that nearly 1.9 million people were employed in the informal sector (Dewar, 2005: 1). Of these, it was estimated that close to 884,000 were street vendors. During the early 1980s, the majority of street traders were white, with Asians making up the second largest group, both groups primarily concentrating on the sale of fruit and vegetables (Rudman, 1988: 28). Since the mid-1990s there has been an increasing number of foreigners, particularly from other African countries, working on the streets of many South African cities and towns. Historically, the majority of street traders were men, largely because of the disapproval of the authorities to women hawkers (Rudman, 1988: 28).

6. SO WHO ARE THEY NOW?

An empirical survey was conducted in the CBDs of four major metropolitan areas in South Africa as part of an initiative by The South Africa-Netherlands research Program on Alternatives for Development (SANPAD) that investigated formal and informal business relations in cities. The research was undertaken by means of personal interviews following a questionnaire, conducted individually with a sample of selected street traders in the CBDs of these metropolitan areas. In the research conducted a total of 103 traders were surveyed in Cape Town CBD, 111 in Tshwane CBD, 125 in Johannesburg CBD and 126 in eThekwini CBD.

Some notable findings emerged from the four-city survey. First, the majority of respondents were male with an average distribution across the four cities of 54% male and 46% female. In eThekwini there was a significant female majority of 58% female and 42% male.

Secondly, the ages of the respondents ranged between 18 and 50 years, with the majority of the respondents between 18 and 30 years. Only 9% were older than 50 years, pointing to the informal sector attracting mainly young people.

Thirdly, in Johannesburg and Tshwane more than 80% of the respondents are the owner of their informal business, while in eThekwini, it was 69% and 60% in Cape Town.

Fourthly, 40% of the surveyed traders have been in business for five or more years, and a very limited number of businesses were established during the past six months (see Figure 2).

Fifthly, in all four cities the great majority of the respondents were African, with some Coloured traders in Cape Town but minimal Asian and White traders (see Figure 3).

Sixthly, in eThekwini, more than 90% of the traders were South African citizens, whereas in Cape Town the proportion was 52%. Notably, in Tshwane and Johannesburg, the percentages of respondents indicating South African citizenship were at 75% and 69%, respectively, and the non-South African citizenship figure 25% and 31%, respectively. However, a stark 18% of surveyed traders in all metro areas did not provide an answer to this question, in all probability indicative of a larger number of non-South African citizens.

Seventhly, regarding education, a large number of respondents (37%) in all four metropolitan areas indicated that they have some secondary education (meaning some high school education, i.e. grades 8 to 12). However, an almost equally large number of respondents indicated that they have obtained matric/grade 12 (29%). The percentage of respondents having obtained no formal education is surprisingly low at 6%. It is interesting to note that in Cape Town, 18% of the respondents achieved a tertiary qualification.

Eighthly, a comparison between the ages of the respondents and their level of education reveals a somewhat unexpected result. Across all age categories more than 75% of the respondents obtained at least some level of secondary education or more, whereas only approximately 23% of the respondents indicated that they either had no education or only attended primary school. 33% of the respondents between the ages of 18 and 30 years obtained matric, and 10% even obtained a tertiary qualification (see Figure 4). The trend is similar for respondents aged between 31 and 50 years.
31 and 50 years where 30% of the respondents completed their secondary education and 9% obtained a tertiary qualification. In both age groups, more than 35% of the respondents attended some secondary education, meaning that more than 75% of the respondents between the ages of 18 and 50 years attended some form of higher education. It is noteworthy that the percentage of respondents obtaining matric is highest in the age group 18 to 30 years, indicating a tendency towards increasing numbers of qualified and semi-qualified young people to enter the informal sector.

Overall, 78% of the respondents from all four cities mentioned that they have no other means of income, and that they are solely dependent on the income generated by their businesses. 60% of the respondents who listed an additional source of income indicated that they receive a monthly government/social grant.

Ninthly, the accurate measurement of income of informal sector workers and street traders specifically are complicated by the fact that most informal businesses do not keep accurate records of their gross income, business-related expenditure, wages and profit [Skinner, 2006: 127], and the majority of informal business owners are reluctant to declare income for fear of being taxed [Danopoulos & Znidaric, 2007: 68; Sookram & Watson, 2008: 53]. Therefore, to include a question regarding the average income of the particular informal business would be meaningless and probably very unreliable. In an attempt to calculate a gross mean income of these street traders a number of questions were designed in a way that in combining their answers could be used to indicate a crude mean income: The derived mean income of the respondent’s based on the number of customers per day and the average amount spent by each customer varies between R500 and R1600 per day.

This obviously excludes any possible expenses and wages that the owner might incur. Generally, it appears that respondents in Cape Town and eThekwini earn the least, and that respondents in Johannesburg and Tshwane fare slightly better in terms of monthly income (see Figure 5).

The purpose of this article was to gain an understanding of the profile of informal sector street traders in South African cities. From the background on informal sector workers worldwide as well as historic informal traders in South Africa, some similarities are evident, i.e. male dominance, the large percentage of youth involved in the informal sector as well as the high levels of poverty experienced by people in this sector. However, even though there are a significant portion of street traders that are not South African citizens, the majority of street traders are South African citizens. This experience is different from other countries where the informal indicating an increase in qualified people entering the informal sector. White entry into the informal sector is a choice for some individuals, most people obtaining matric or a higher level of education surely expect a position in the formal market. This observation could therefore be somewhat alarming. Despite the apparent prioritised government agenda of stimulating economic growth and job creation since the Growth and Development Summit in 2003 where it was noted that “the total number of unemployed people is rising in spite of the fact that the number of jobs since 1995 had increased from 9.6 million to 11.2 million (in 2002). This is because in

Figure 6: Number of dependants

7. AND WHAT DOES THIS MEAN?

“Ya gots to work with what you gots to work with.” (Wonder, 2011: online)
people are unable to find a job in the formal sector. The fact that an individual obtained some high school education, and in many instances matric or even a tertiary qualification did, therefore, not guarantee absorption into the formal labour market.

The informal sector has gained prominence as an alternative to formal-sector opportunities, and has been portrayed as a solution to generating income for the vast number of unemployed South Africans despite a number of authors having engaged in testing the ability of informal-sector businesses worldwide to be adequate income-generating operations and ultimately finding the notion heavily romanticised [see Williams & Round, 2008: 67]. Even though the intention of this article was never to trial its viability as a genuine alternative, some observations are noted. The Bureau of Market Research in South Africa uses a figure that indicates the “minimum expenditure” that a person must incur in order to survive. This figure is calculated per province and ranges between an annual R38,500 for Limpopo [lowest] and R47,000 for Gauteng [highest]. Research in 2011 shows that 47.6% of South Africans live below this expenditure line (Van Aardt, 2011: personal communication). Given the fact that the average gross income calculated for these respondents crudely varies between R500 and R1,600 daily, and assuming a five-day working week for the majority of traders, a best guess for gross monthly income would be approximately R20,000, and R24,000 annually. This seems to be a starkly superior income measured against the “minimum expenditure” figures quoted above, and it would appear that the street traders that formed part of this survey are not included in the 47.6% of South Africans living below this line. Bearing in mind, firstly, that the average incomes calculated are derived from a number of variables, and are therefore very crude, and secondly the fact that these incomes exclude all possible business expenditure, it is difficult to draw any undisputable conclusions. However, the findings might justify more in-depth investigation into the informal sector’s ability to be financially productive.

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REFERENCES


