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THE GROWTH OF THE URBAN INFORMAL SECTOR IN SOEH AFRICA

Paper presentated to the Govan Mbeki Fellowship

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July 1993

INTRODUCTION

The informal sector covers a diverse range of activities which are constantly changing. There are many definitions of the informal sector each trying to draw a distinction between the informal and formal sectors of the economy. But the dualistic conception of the urban economy has been criticised as becoming unsatisfactory and failing to adequately describe the highly differentiated and complex set of activities and relations which comprise the urban economy.

'Theories have been hard pressed to formulate definitions which, on the one hand, can cope with the concept of a non-static continuum of activities of people, while on the other hand are able to avoid by the very act of definition, falling into the trap of dualism, definitions have by necessity, therefore become more flexible and open-ended' (Watson:1981 13.41)

The way in which the informal sector is defined will be related to the purpose of the analysis and the philosophy which underlies the particular approach.

There is one important distinction to be made however, ie. the distinction between informal sector activities which are profit oriented or productive (example minibuss taxis), and those which

do not aim to expand continually - ie subsistence business.
Policy measures must be designed to cater for these differences
(Watsonz1981 P.46)

HISTORICAL ORIGINS

During the earlier stages of colonisation economic activity was concentrated along the coastal regions of Cape Town and Durban. The discovery of goLd and industrialisation shifted the economic gravity to the Witwatersrand and the major coastal cities survived as forts.

The modern South African geographic economy can be divided up into 1) Principal Metropolitan Agglomeration ie PWV; Durban; Port Elizabeth; and Cape Town where economic activity is concentrated. 2) Inner Periphery -made up of the inner cities like kimberly and Bloemfontein where relative intense economic activity takes place. 3) Intermediate Periphery - where less intense economic activity takes place 4) Outer Periphery - made up of agricultural areas, homelands form part of this section. (Smith:1990)

70% of the gross domestic product (GDP) is generated in the Principal Metropolitan Agglomeration with the PWV accounting for about 40% as compared to the homelands 5% of the GDP. These figures are in sharp contrast with the population distribution. In the late 1980s the homelands have doubled their GDP but this has been accompanied by substantial population growth.
(Smith:1990 P.43)

The South African economy has always depended on the supply of cheap labour from Africans but has always sought to use this labour in "white" South Africa whilst keeping Blacks in the homelands. Labour supply to white south Africa is thus composed of a large proportion of migrant labourers and frontier commuters and a smaller portion of permanent township residents - Government policy has always sought to keep the permanent township residents to a minimal.

By 1986 there were about 2 million migrant labourers in South Africa, the number increase by 700,000 since 1970. This increase is partly attributed to the fact that, up to the early 1960s South Africa relied heavily on foreign supply for its migrant labourers with the peak of 836,000 in 1960. This subsequently declined with the decolonisation of Southern Africa. South Africa therefore had to reinforce its homeland supply for migrant labour. (Smith:1990)(Dewar and Watson:1981 P.20)

Employers, especially in mining, prefer migrant labourers because migrant labour "comes cheap as wages do not have to cover the support of the family in the homeland " (Smith:1990 P.47)

This removal of the most productive sector of the population has led to increased poverty in the homelands - "Over 70% of the population of South.Africa lives below the poverty datum line and the vast majority of these are Blacks" (Devar and Watson:1981 P.22) and the influx of Blacks and a greater number of women and children into urban areas. Initially this influx was illegal due to the influx control regulations but with the relaxation of

strict influx control in the 1980s and the scrapping of the pass laws in 1986 this rural -urban move was more overt. People moved from the rural homelands into the urban areas with the hope that they would be able to secure employment but they were moving into an already saturated labour market. Estimates of unemployment in 1988 were 823,000 in the Republic of South Africa other sources suggest 5.5 million (Smith:1990) This problem was exacerbated by the periodic recessions, the withdrawal of overseas firms and sanctions on new investments.

This mismatch between labour and supply is selective in three ways that is it is 1) racially selective 2) geographically selective and 3) qualitatively selective. The selectivity of the mismatch ensures that white people will have dominance over the few jobs that are available. (Smith:1990)(Dewar and Watson:1981 P.22-25) Dewar and Watson (1981) estimated the rate of unemployment in South Africa at 10 to 22% and further pointed out that it is the Black population that is particularly affected. unemployment has accelerated since then. they further argue that: '...the problem of unemployment lies most particularly in it's correlation with poverty and inequality. In a situation where unemployment benefits are absent or inadequate and the possibility of obtaining a job remote, it is clear that unemployment needs to be viewed as the key developmental problem,...' (Dewar and Watson:1981 P.10)

The frontier commuter also warrants some attention. This is the

type of worker who resides within the homeland but travels to cities within the Republic of South Africa daily for work the largest are commuters from Bophuthatswana into Pretoria and from KwaZulu into Durban. This has been actively promoted by the government by restricting blacks from buying houses in the townships whilst allowing them to buy in the homelands. This has the purpose of externalising the cost of social welfare and the transference of Blacks' political aspirations to the homelands. In spite of labour saturation in the PWV and the government's efforts to keep the proportion of blacks permanently residing in the PWV metropolitan area small, the black population in this region rapidly expanded.

Smith (1990) observes that:

'It is in the major economic heart of the PWV that the inconsistency between traditional apartheid thinking and actual practice is revealed most clearly' (P.50)

After the recommendations of the Wiehan and Rikert commissions, measures were adopted give more residential security in the "white" cities to skilled black workers and therefore, a distinction was made between the "insiders" (skilled workers) with more prospects of permanent residence and opportunities and the "outsiders" (unskilled workers) kept at bay by regulatory devices and homeland boundaries. This was not to the benefit of the majority of Blacks, considering the fact that by the 1970s over half of the economically active African males had receive

no formal education at all and were unskilled. (Dewar and Watson:1981 P.17)(Smith:1990 P.46) the pool of skilled Black labour was therefore very limited. This, together with the Process of substitution of cheap Black labour for more expensive skilled white labour which started in the 1960s and proceeded through the 1970s (Dewar and Watson:1981 P.18) also reinforced the selectivity of unemployment.

'This has resulted in a paradoxical situation whereby a chronic shortage of labour in some sectors of the economy exists alongside overall high rates of unemployment.' (Dewar and Watson:1981 P.19)

Due to selective unemployment coupled with lack of or insufficient unemployment benefits, many unskilled blacks, mostly women in urban areas found themselves without any means of income and they therefore had no choice but to resort to the informal sector for survival.

There are more women involved in the informal sector than men.(Bernstein:1985) Most women are employed as cheap unskilled labour at 'the lowest level of production. Because of their desperation, most women are readily available when needed at times of expansion and can easily be dismissed during times of recession. Women in industry are concentrated in those sectors related to the concept of 'women's work'.The clothing, textile and food industries together employed 73.1% of all African female production workers in 1970. (Bernstein:1985 P. 69) They are often labour intensive and for this reason have become targets of

government policy to remove them to boarder areas, which are used as 'growth points' as part of the governments' apartheid strategy of keeping blacks within the homelands. (Bernstein:1985) These border industries are notorious for paying very low wages, for example Babelagi in Bophuthatswana was paying the lowest wage of R4 per week an an average of R6 per week in 1974 (Bernstein:1985 p.71) Bernstein (1985) further accuses boarder industries for being responsible for the growth of 'urban slums' or 'dormitory towns' lacking in infrastructure an cultural amenities. Faced with these circumstances, many women resorted to informal business on a full-time or part-time basis. The growth of the informal sector has been positively correlated with informal settlement growth. There were shanty towns at the edge of South African cities at the beginning of the apartheid era like Sophiatown and Ladyselbourne. These were eliminated and the residents rehoused to new townships, but restrictions of township construction in the late 1960s and natural population growth together with the rural-urban migration led to the resurgence of spontaneous settlement in the 1970s. These have grown substantially in the 1980s due to the shortage of formal housing in the right place at the right price or rental that people can afford. The proportion of Blacks now living in informal settlements may now be 25%. (Smith:1990 P. 38) The stance of authorities on informal settlements Twas initially extremely negative many were bulldozed and the inhabitants shipped to the homelands, But the squatter settlements continued to grow. This growth was accompanied by growth in the informal

sector. (Smith:1990) But the informal sector phenomenon is not unique to informal settlements (Dewar and Watson:1981) what is peculiar to the informal settlements is that they are dominated by an informal sector of bare survival due to the relative high levels of poverty.

A greater proportion of the informal sector in South Africa is that of bare survival as opposed to that aimed at profit making and growth. Dewar, Postlethwayt and Watson (1990) observe that 'Only a small minority of informal sector operators become successful, expanding enterprises. The great majority face continuing poverty and economic and occupational insecurity' (Dewar, Postlethwayt and Watson:1990 P.5)

A spaza shop owner describes the principles of economic growth as a 'Pipedream in the world of spaza shops' and explains that 'Creditors do not have time to listen to a back-door small-time business person. This forces you to use your profits immediately to meet what financial commitments you can. But family life also has to go on. Your family cannot starve simply because you are waiting for the end of the month. The small profits you have made must be put to immediate use.' (Themba South African Institute of race Relations vol.22)

Due to its informality the informal sector has not been easily amenable to statistical analyses thus the discrepancies in

statistics on the scope of the informal sector. the South African Institute of Race Relations recorded 625,000 unrecorded unlicensed informal businesses and 4 million people involved in the informal sector in 1988 and the Development Bank of South Africa recorded 2 million people involved in the informal sector in 1985, whereas Mantle Harrod and Nel (1992 P.17) reported that there were 2.7 million people involved in the informal sector. Historically, the authorities have sought to strictly control the informal sector but then they later relax their policies towards the informal sector.

PROBLEMS FACED BY THE INFORMAL SECTOR IN THE 1980S

Authorities have adopted a negative attitude towards the informal sector and thus adopting a general policy of restricting the sector. These have had an effect of restricting informal sector operations to a limited number of areas, or of raising the cost of operation of these activities, thereby limiting the expansion of the sector. Although in the latter part of the 1980s Central Government policy towards the informal sector was relaxed, the administrative implementation of these policies left loopholes for the local authorities to be able to restrict such informal sector operations. thus the discrepancies in regulations for the informal sector between conservative and liberal ones (Rogerson:1992) (Mantle,Harrod and Nel:1992 P.85-86) Another source of confusion within the informal sector stems from the administrative fragmentation of the sector. 'the

administration of, an policy formulation for, street trading is fragmented among a number of different departments (licensing, health, traffic, markets and more recently town planning)' (Dewar, Postlethwayt and Watson:1990 P.7) There is little co-ordination between all departments, this has led to duplication and increased costs for the administration as well as the street trader. (Dewar, Postlethwayt and Watson:1990 P.7)

The fact that control resides primarily in the traffic and health departments - the authors observe, reflects the weight given to the view that the informal sector represents a public nuisance and health hazard. Thus the mutual suspicion often characterising relations between the informal sector operators and the authorities.

The lack of empathy with the spacial dimensions of the informal sector has led to a number of inappropriate areas being allocated to hawkers, and operators being forced to operate from inherently marginal sites.

INFORMAL SECTOR AND GROWTH POTENTIAL

The level of capital accumulation possible is constrained by structural factors in the socio-economic system such that small-scale activities in the urban sectors of countries with externally oriented economies can only participate in a dependant and subordinate way. It is argued that these activities do generate surplus unless unduly repressed by the law. As has been

the case in South Africa. Thus the argument within the structural school of thought that the relationship between the informal and the formal sectors is exploitative because of unequal exchange and regional inequality. (Dewar and Watson:1981)

There are two major mechanisms whereby surplus is transferred from the informal to the formal sector. That is.

- 1) The informal sector lacks access to basic resources of production which are monopolised by the formal sector.
- 2) The informal sector is forced into a position where it must pay higher prices for its purchases but can only charge lower prices for its outputs, the difference being reaped by the formal sector.

the strength of the subordination will obviously depend on the nature and scope of the informal sector. An informal sector of bare survival and subsistence business is particularly vulnerable to these exploitative relations and in South Africa this is the majority of the informal sector. (Dewar and Watson:1981)

Dewar and Watson (1981) stress that policy formulations on the informal sector must be consciously directed towards empowering the weakest elements within the informal sector towards this objective,

"a careful disaggregation of small activities is required to determine whether at a particular point in time, the balance of forces affecting a certain type of activity is exploitative or supportive ." (Dewar and

Watson:1981 P.45)

In addition to this, the authors also recommended that allocation of benefits and financing for the informal sector must not be pinned to 'success' criteria, as has been the case in South Africa. (Mantle, Harrod and Nel:1992 P.52)

CONCLUSION

A particular danger in the informal sector growth is that there has been a tendency in the late 1980s and early 1990s on the part of the government to view the informal sector as a solution for the unemployment problem. Although it is acknowledged that within the flourishing small business sector and the informal sector with growth potential there is an opportunity for employment creation, we should not lose sight of the fact that the greater majority of black people who are involved in the informal sector of survival which cannot substitute productive secure employment. Mantle, Harrod and Nel (1992) reported that of the 2.1 million people involved in the informal sector, 73% are employed on a part-time basis. (p.17) in this category are involved housewives, scholars, people seeking employment in the formal sector and moonlighters. The informal sector of bare survival is not a matter of choice but that of survival. There is a pressing need for adequate unemployment benefits and employment creation for these people. It has been indicated that if given a choice, many people who are struggling to make ends meet in the informal sector would opt for the security of employment in the formal sector. As Sydney Themba puts it

'The Government fought to avoid having a poor struggling white person in an attempt to maintain the whites as the superior class. If this doctrine were applied to Blacks, the majority of us would abandon our small-time spaza shops and establish real business, or go back to our places of employment. The spaza shop has no future. It is not a cure for our problems, merely a relief.' (Themba South African Institute of Race Relations Vol.22 P.6)

Even though there are many people who are "permanently" employed within some sections of the informal sector with growth potential for example, the growing minibuss taxi business, the shebeens, taverns, some expanding spaza shops and others. These employment relations are so informal that they are very open to exploitation. Among other laws, the formal business has to operate under the labour relations act, the wage act, the machinery and occupational safety act, basic conditions of employment act and the workman's compensation act.

(Mantle, Harrod and Nel:1992 P.85) But the informal business, by virtue of its informality can operate without observing these acts and this opens its employees to all sorts of exploitation. The small scale operation of the informal business, together with the fact that it employs mostly people who are in a state of desperation and insecurity makes unionisation and collective bargaining out of the question. The magnitude of the problem is also reflected in the neglect of this area in research on industrial and labour relations.

Although deregulation is necessary in terms of addressing the problem of authorities clamping down on the growth and diversification of the black informal sector, it is also necessary to build in some formality in terms of employment relations in order to secure the rights of those employed within this sector.

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