

The Informal Economy and Sustainable Livelihoods

The informal market is often considered to be an entity distinct from the larger South African economy. However, it has the potential to alleviate poverty and create jobs in areas where few other opportunities exist. Thus, the creation of sustainable livelihoods within the informal economy presents an integral opportunity to contribute to overall growth in South Africa. In order to harness this potential, a transformation of perceptions may be necessary with the perspective of the economically disadvantaged and vulnerable prioritised.

Socio-Economic History

South Africa's current socio-economic conditions should be understood within the context of the Apartheid and pre-apartheid eras. One aspect worth noting is that the Apartheid segregation laws were designed to ensure that people of colour were confined to townships and excluded from appropriate education and business skill acquisition. However, Apartheid legislation is one factor among an array of interconnected components, which together combined to undermine education, training and livelihood opportunities in South Africa throughout the 20th century. Such limitations on employment opportunities led large segments of unskilled South Africans to seek a form of earning in the informal sector.

The planners of Apartheid sought to build a level of economic stability for the regime with the aim of avoiding popular uprisings. At the centre of this strategy was the image of a married black male breadwinner "living in a formal township house and working a stable job in manufacturing, mining, or the civil service".¹

This model was also considered essential to South Africa's modernisation agenda in the earlier stages of development. However, in time it was cast aside in favour of new strategies. The consequences for communities however, was the systemic undermining of the stability of township life which has been termed a "crisis of social reproduction"- a term referring to the transfer of culture, knowledge and labour power from generation to generation.² The ultimate effect was a compounding of limits on opportunity.

Part of redressing both past inequality and ongoing economic marginalisation must involve the creation of new economic opportunities. One approach may lie in moving beyond the traditional framework of set income and instead focusing upon the broader category of 'livelihoods'.

Sustainable Livelihoods

The notion of sustainable livelihoods emerges from models of participatory development, which became prominent in the 1990s. Instrumental in this field is the work of Robert Chambers. Beyond serving as a means for efficient planning,



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administration and maintenance, Chambers³ presents his model as a means of empowerment, whereby locals come to be the owners of the development programme. This approach requires a fundamental reversal of the way in which poverty and deprivation are understood. Specifically, Chambers⁴ calls for a focus on the realities and priorities of the poor as the most critical considerations.

Chambers asserts that in redressing deprivation, attention be given to prospects of ‘livelihoods’ as opposed to merely income. This larger category refers to “the means of gaining a living” and includes one’s own capabilities as well as tangible assets, shared resources and general support from others.⁵ In explaining the distinction between income and livelihood, Chambers⁶ uses the maxim of the Greek poet Archilochus: ‘The fox knows many things, but the hedgehog knows one big thing’. According to Chambers full-time employees live with the security of having to know only one ‘big thing’- a solitary fixed income. In contrast, the path of the poor often resembles the position of the fox, relying on a variety of activities.

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A common feature of livelihood strategies are basic projects such as home-gardening in both rural and urban environments. In this way, “individuals and families diversify and complicate their livelihood strategies in order to increase income, reduce vulnerability and improve the quality of their lives.”⁷

Ultimately, livelihood strategies rely upon a thriving informal market. As Chambers explains “employment, in the sense of having an employer, a job, a workplace and a wage is more widespread as an aspiration than as a reality.”⁸ Instead, security at the local level is dependent upon a variety of formal and informal activities that cumulatively allow for sufficient income. Chambers rejects the notion that general fiscal growth will inevitably translate into benefits for all. Instead, it is asserted that such ‘progress’ may also “destroy livelihoods”⁹. Consequently, he outlines measures of protection including securing land and waters rights, the removal of restrictions upon the informal sector and providing access to effective healthcare.

In our current situation, a shock to the established elements of livelihoods may be perceived. Indeed, it would appear that the image of the industrial male has been lost – a situation aggravated by an overall lack of formal employment opportunities. Chambers warns that in such situations “where economic crisis and structural adjustment cut urban jobs, the proportion of foxes can be expected to increase.” The informal economy is a vital area for such “fox” strategies, therefore attention should be given to the role of this space within the current South African context.

The Informal Economy

The South African informal economy is made up of multiple instances of unofficial trade. It is not a direct part of the formal economy and often generates its own, smaller markets in areas where this unregulated sector thrives.¹⁰ It incorporates activities such as the “selling or offering or rendering of services in a public road or a public space”¹¹ and operating an informal, unregistered, small business from one’s private property¹². This includes any road-side shops, ‘spaza’ shops, newspaper and other vendors, wind-screen washers, and the trade of goods or services outside of a privately owned, registered space. Lower educational and skills requirements allowing for more inclusive business opportunities make the informal economy



essential for livelihoods in developing countries. Particularly, in those that allow for fewer opportunities to build education and skills as a result of economic, political and social instability¹³.

South Africa's current unemployment rate is 25.2%. In light of a limited rate of economic growth as well as societal restraints there is a need to address socio-economic inequality in order to empower the most vulnerable. For many South Africans, informal trade is the "alternative to unemployment"¹⁴.

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In South Africa, each municipality is empowered to write by-laws that regulate informal trade¹⁵. Some of Johannesburg's by-laws¹⁶, as an example, are explained below:

- Persons must apply to the Municipal Council ("COUNCIL") for a lease granting the license to trade informally. Trading without this lease is illegal, and can result in a fine or imprisonment.
- The Council may restrict any areas in its jurisdiction from informal traders. This can be done arbitrarily and existing traders may be removed.
- Informal traders may not create smoke, fumes, odours, noise or pollution of any kind.
- Informal traders may not conduct their trade in a way that creates a nuisance. The qualification for "nuisance" is broad and ambiguous, to the detriment of informal traders.

- Informal trade may not be conducted in front of, or within range of a formal business

These by-laws reveal some of the stringent regulations upon informal trade indicating its standing as an unregarded source of income and livelihood creation.

The reality – as described by the African Cooperative for Hawkers and Informal Business (ACHIB) – is of informal traders being forced away from their livelihoods by Municipal Councils.

In contrast, the South African Local Government Association (“SALGA”) asserts that the informal sector should be viewed as an “important part of government’s strategies to address unemployment, support livelihood creation and reduce vulnerability”¹⁷.

The reality – as described by the African Cooperative for Hawkers and Informal Business (“ACHIB”) – is of informal traders being forced away from their livelihoods by Municipal Councils. Applicants for leases, without which they cannot trade, are forced to

wait months before ‘legally’ starting or being allowed to go back to work. ACHIB approaches the current situation in light of a thirty-year struggle for the rights of informal traders and describes, in grave terms, the loss of support and attention the organisation has received in recent years. It is feared that constraints on the informal economy is resulting in a limitation of livelihood opportunities¹⁸. These concerns are reinforced by research illustrating that if the informal economy were “pushed out of business”, South Africa’s unemployment rate would rise by an estimated 20 percent¹⁹

The Gauteng Informal Business Sector Strategy of 2014²⁰ (“STRATEGY”) suggests that some factors hindering and sabotaging informal trade are: lack of finance, inconsistent enforcement, insufficient business infrastructure, and a void of relevant policy. In response the *Strategy* recommends a planned, funded and sufficient incorporation of the informal sector into the larger economy²¹. It is believed that this will create vital livelihood opportunities for those who lack formal skills and education. It is argued that results will be seen in areas with especially high levels of unemployment.

In particular, the *Strategy* highlights the importance of supporting informal trading in townships, focusing on development of the sector. This should be done with an eye towards dismantling the precarious elements of social reproduction that Apartheid has left behind. Prioritising informal trading helps to generate economic growth and secure thriving and developing townships. It also increases the skills that move over from the informal to the formal economy²².

However, we cannot view the informal economy as being exclusively the township economy. In so doing, we fall into the trap of racialising the informal economy, thereby setting it outside the borders of urban life and perpetuating exclusivity. While the township economy should be a part of a thriving informal economy, traders should also be permitted and encouraged to continue and initiate trading in cities.

Conclusion

South Africa’s economy and its related development may benefit greatly from expanding to include and prioritise the informal sector. Indeed, the creation of incomes and accompanying livelihood opportunities cannot be seen in the context of formal business alone. Such an approach may only slow the growth of job and



livelihood development. Instead, income and employment generation become possible when people are encouraged and enabled to participate in a diverse range of livelihood activities.

Ultimately, South Africa's informal economy should be viewed and celebrated as a way to redress past economic marginalisation.²³

FOOTNOTES

- 1 Hickel, J. 2014. "Xenophobia" in South Africa: Order, Chaos, and the Moral Economy of Witchcraft," *Cultural Anthropology* Vol. 29 (1) p.118-120
- 2 Hunter, M., 2010. *Love in the Time of AIDS: Inequality, Gender, and Rights in South Africa*. Indiana University Press, Bloomington, Indiana p. 5
- 3 Chambers, R., 1994. "The origins and practice of Participatory Rural Appraisal", *World Development*, Vol. 22 (7).
- 4 Chambers, R., 1995. "Poverty and Livelihoods: Whose Reality Counts?" *Environment and Urbanisation*, Vol. 7(1).
- 5 Chambers, 1995 p. 174
- 6 Chambers, 1995 p.192
- 7 Chambers, 1995 p. 203
- 8 Chambers, 1995 p. 195
- 9 Chambers, 1995 p. 202
- 10 South African Local Government Association (SALGA) 'Making The Informal Economy Visible' (June 2012)
- 11 'City of Johannesburg Informal Trading By-Laws' in *Provincial Gazette* (March 2012) Local Authority Notice 328: pg. 7
- 12 SALGA "Guidelines for Municipalities" (2012) pg. 5
- 13 "The Informal Economy in Developing Countries" in: *Routledge Studies in Development Economics*. 2015
- 14 SALGA "Guidelines for Municipalities" (2012) pg. 7
- 15 The Business Act (1999)
- 16 Informal Trading By-Laws (2012)
- 17 SALGA "Guidelines for Municipalities" (2012) pg. 2
- 18 Mike Molloy of ACHIB South Africa
- 19 SALGA "Guidelines for Municipalities" (2012)
- 20 Gauteng Informal Business Sector Strategy: eThekweni Municipality (December 2014) pg. 3
- 21 'Gauteng Informal Business Sector Strategy' eThikweni Municipality (December 2014) pg. 5
- 22 SALGA "Making the Informal Economy Visible" (2012)
- 23 Gauteng Informal Business Sector Strategy' eThikweni Municipality (December 2014) pg. 5