

PUBLIC POLICY AND THE INFORMAL SECTOR IN  
SOUTH AFRICA: THE POLITICS OF STREET-TRADING IN  
PIETERMARITZBURG AS AN ILLUSTRATIVE CASE

by

Timothy Scott Mosdell

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## ABSTRACT

The thesis is concerned with an investigation into public policy towards the informal sector in South Africa.

It begins by attempting to define the informal sector in terms of its location in relation to the broader urban economy. While doing this, a review of the literature, both South African and international is presented.

South Africa, due partly to the policies of separate development and apartheid, is shown to be somewhat of a special case. By choosing to investigate aspects of street-trading in Pietermaritzburg using a micro-level case study, the ambiguities of recent deregulation policies have been exposed.

The thesis concludes by formulating a policy framework aimed at developing the South African urban informal sector at both the macro- and micro-levels. Due consideration is given to the transitional environment in which we find ourselves at present.

A multi-pronged development model for the informal sector is presented which comprises an integrated package including deregulation measures, training, financial aid, and technical assistance. It is argued throughout that simple deregulation

is not an adequate condition for stimulating the informal economy.

For this development strategy to succeed, it is necessary that appropriate structures be set up at the various levels of government through which informal sector interests can be articulated and policies developed in consultation with all key stakeholders.

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## DECLARATION

Except where explicitly indicated to the contrary, this study is the original work of the author. This dissertation has not previously been submitted in any form to another University.



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## CHAPTER 1

### INTRODUCTION

Despite the contested nature of the concept, the informal economy has come to constitute a major feature of academic and planning literature on the urban economy, both in South Africa and internationally. While the informal economy has been the subject of much empirical research, consensus on theoretical issues, as well as on the size and importance of the informal sector has remained elusive.

The primary aim of this thesis is critically to evaluate and analyse past and present legislation and policy relating to the urban informal sector in South Africa with the intention of developing and formulating appropriate policy models for the future. However, before this can be done, it is necessary to review the extensive literature on the informal sector in order to develop an appropriate definition of the concept, and to understand how the informal sector relates to the rest of the economy. While most of the relevant literature is concerned with the international context, there is a fairly extensive body of literature covering the South African situation. This thesis will explore both the international writings and local debates. International and local case-studies will be referred to, but the original empirical information used has been accumulated from my survey research done, in 1989, on a street-trading community in

the Pietermaritzburg central business district (CBD). While this research predates some important developments, most notably the *Businesses Act* of 1991, many of the findings are nevertheless useful, partly to illustrate the situation prior to legislation changes and also to offer insight into the intricate dynamics of an informal trading community at a micro-level.

Throughout the thesis, references are made to street-trading. Clearly it is not possible to be entirely accurate in extrapolating general trends and patterns on the entire informal sector simply by studying these street-traders. Indeed, the informal sector is by no means an homogenous concept, and as Bromley points out, no concrete guidelines exist as to what exactly it comprises.<sup>1</sup> Nevertheless, as street-trading in South Africa is generally considered to be the largest component of the informal economy, with Lawrence Mavundla of the African Council of Hawkers and Informal Businesses (Achib) estimating approximately 900 000 people engaged in hawker or spaza (tuck shop) activities in 1991 - out of a total of three million informal workers, focusing on this activity can yield some useful insights as to how the sector as a whole operates.<sup>2</sup>

Over the past three decades, the attitude of development theorists and policy-makers towards the informal sector has undergone a major metamorphosis.<sup>3</sup> The next chapter will trace this change, showing how perceptions of the informal sector,

internationally, have shifted from a situation where it was perceived to be a traditional, inefficient, unhealthy and backward form of activity which ultimately would be absorbed into the modern sector of the economy and would gradually disappear, to a perception identifying the informal sector as having the potential to alleviate unemployment and contribute to economic growth. In South Africa, too, a shift has taken place, albeit a little later than in other developing countries.<sup>4</sup> South Africa, with its plethora of historically, racially motivated restrictions on Black mobility and economic advancement, is, in a sense, unique. Apartheid legislation and, more recently since President de Klerk's February 1990 speech at the opening of Parliament, the reform initiative of the state has influenced attitudes amongst planners towards the informal sector, and has consequently influenced the form that the informal sector has taken in this country. The chapter will then focus on some of the definitional debates around the phenomenon of the informal sector.

Definitions, however, tend to vary considerably, depending on the ideological slant of the author and on the purpose for which it is being used.<sup>5</sup> In this chapter it will emerge, quite clearly, that the concept itself is extremely contested. A broad review of the debates will be presented, identifying and fleshing out key areas of contention. Many of the issues raised by the debates on the definition of the informal sector reflect a far

larger, macro debate on the characteristics and functioning of the economy generally.

Chapter Three offers a detailed review of the different schools of thought on the urban economy, exploring how the informal economy fits into, and relates to, this system. Here I shall explore the numerous and complex linkages which exist between the formal and the informal sectors. Whether these linkages are seen by development theorists as being exploitative or benign depends partly on how the authors see capital accumulation taking place in the informal sector. On the whole, the models examined can be roughly classified into two broad schools of thought. This is not to suggest that each such school is homogenous; indeed a great deal of diversity exists within each paradigm.

On the one hand, dualist models stress a dichotomy between two distinct economies. Early modernisation theorists and policy-makers in the 1940s and 1950s tended to see the activities (which would now be regarded as informal sector type work) as declining remnants of pre-capitalist economies.<sup>6</sup> These enterprises were held to be inefficient, backward, irrational and often unhygienic. In terms of the then dominant modernisation paradigm, it was generally assumed that, as the country developed from its pre-capitalist form to a fully capitalist system, the informal sector would gradually be incorporated into the modern economic

component. By and large, the traditional component of the economy would ultimately disappear. <sup>7</sup>

However, during the 1970s, a reformist school led by the dualist theorist Hart and the ILO began to argue that, under the correct circumstances, and given the right kind of support and stimulation, the informal economy has the potential and ability to facilitate employment creation and to act as a stimulus for economic growth. <sup>8</sup> Clearly then, these positions, represented by Hart and the ILO, differed significantly from those of the earlier marginality theory dualists. During the early 1970s the dual economy models of the ILO and Hart established themselves as the conventional wisdom in developing countries.

Towards the latter part of the 1970s, however, the dualist school began to be severely criticised. Firstly, the models could not adequately define exactly what belonged to each sector. Transitional or intermediate activities could not be satisfactorily categorised. Take, for example, a pavement flower seller. The seller operates for a while before buying a barrow. She then applies, and is granted a license. She prospers and buys a second-hand van. Business booms and she hires two assistants whom she sends out on the streets with their barrows. Finally she moves into fixed premises and co-ordinates a team of sellers from there. At which point has she crossed the line from informality to formality? Apart from an inability to accommodate transitional activities, the dualist school, according to theorists such as

Caroline Moser, incorrectly assumes the relationship between the formal and the informal sectors to be a benign one. <sup>9</sup>

Moser, along with other Marxist theorists such as Bromley and Gerry, began to argue for an alternative approach to the dualist model of the economy. <sup>10</sup> Developing out of the limitations of the dualist arguments, a model, based on petty commodity production and its subordinate relationship to the capitalist sector, was developed. Broadly speaking, this model is based on a continuum of different productive activities, or types of labour. Bromley and Gerry believe that, rather than dividing employment into the two basic categories of wage-employment and self-employment, it would be more realistic to conceive of a continuum stretching from, what they term, 'stable wage-work' to 'true self-employment'. They pay particular attention to the intermediate categories and transition processes along this continuum. <sup>11</sup> Intermediate types of work (work situations) along the continuum, moving increasingly away from 'stable wage-work' towards 'true self-employment', include: 'short-term wage-work', 'disguised wage-work', and 'dependent work'. These situations vary on the degree to which the worker is dependent on, or subordinate to, the capitalist mode of production. I will look at each of these components of the continuum in some detail, examining the complex linkages and dependent relationships that exist between the various components of the urban economy.

On the question of policy towards stimulating the informal sector, advocates of the petty commodity production school contend that two related but diametrically opposed outcomes, or consequences, are possible given the growing differentiation among petty producers or sellers. In the minority of cases, a transition to petty capitalism may occur where the self-employed find a thriving niche where their business can grow and prosper. But, by contrast, for the vast majority of petty producers, the path is one of increased subordination where the trader finds him/herself trapped in unequal power relations with larger traders and suppliers. Rogerson concludes that:

Policies which suggest that a few administrative reforms and a selective tinkering with the *status quo* could unleash the pent-up productive energies of urban small-scale producers were seen as naive, short-sighted and downright cynical.<sup>12</sup>

The petty commodity production theorists therefore view, with some scepticism and even antagonism, the ILO's claims that the informal sector, under the right circumstances, has the potential greatly to reduce unemployment and stimulate significant real growth.

The petty commodity production model, albeit a lot more sophisticated than its dualist predecessors in terms of exploring relationships and linkages between various parts of the economy, is not without its problems. As its name suggests, this school focuses entirely on production and the production process. The



model would then seem to exclude many activities commonly associated with the informal economy. Informal sector income opportunities in fields as diverse as retail distribution, personal services, gambling, scavenging, transport and crime, are seemingly excluded from this model. This neo-Marxist school, while criticising the dualist models for their inability to incorporate transitional and intermediate activities in their analyses, also fails to provide a definitive paradigm to accommodate all eventualities.

A further criticism levelled at both the petty commodity production theorists and at dualists such as the ILO is that both schools tend to be gender blind. Rogerson points out that the ILO policies were slanted towards male informal sector operators. He argues that while much of the informal sector is seen to be the domain of 'women's work', there has not been an attempt to formulate and implement a set of policies specifically aimed to advantage women.<sup>13</sup> This is an important issue, particularly in any analysis of street-trading activity where the role of women in the sector is substantial. This, however, will be treated more thoroughly in a later chapter.

The fourth chapter offers an overview and analysis of South African official public policy and legislation with regard to the informal sector, both at the central and local levels. The chapter begins by briefly exploring the international trends in policy formulation in this area. It is clear that attitudes

internationally have shifted over the past few decades. Urban planners, in some instances, appear to have done an about turn on policy, shifting from open antagonism to informal enterprise, to acceptance, to advocacy. <sup>14</sup>

Chapter Four will also illustrate how South Africa has generally followed the international trend with a wide range of political positions beginning to appear accepting or advocating the informal sector. <sup>15</sup> South Africa, however, due to a number of historical factors, is a special case. The legacy of separate development and apartheid is an additional factor that impinges on policy matters relating to the informal sector, and indeed to all facets of South African development. Official legislation has historically, through various levels of government and authority, systematically restricted the right of the Black population to live and be economically active in urban South Africa. Legislative mechanisms at the central, regional and local government levels will be explored in the chapter with particular attention given to the complex, and often ambiguous relationship between the various strata of authority.

After tracing the development of official policy and legislation towards the informal sector, Chapter Four will illustrate that, despite recent significant deregulation at the central level and the substantial removal of racially based, apartheid legislation, local policy and regulations have not always kept pace with national policy shifts. In fact, until 24

May 1991 with the introduction of the far reaching and controversial new *Businesses Act of 1991*, local rules and by-laws regulating the operations of the informal sector, particularly the street-trading component, often tended to be more restrictive than the legislation found at the central government tier. Despite an expressed commitment on the part of central government actively to promote and stimulate small scale entrepreneurial activity, many harsh, and often unreasonable, restrictions have remained at the local government level. <sup>16</sup>

Regulation of the informal sector at the local level historically has had two components. On the one hand we find structural restrictions which regulate economic activity through licensing requirements and trading standards, while on the other hand we find locational regulations which confine the traders to narrowly defined areas. Locational restrictions take the form of 'move-on' regulations, 'defended space' rules (typically large tracts of the Central Business District (CBD) where no hawker or street-trader may operate), and traffic by-laws. Many of these restrictions continued to be found in the municipal by-laws of South African towns up until early 1992. From one perspective these regulations seem absurd, particularly in the light of the national trend towards deregulation. Nevertheless, these restrictions do serve the interests of some. Various local interest groups, including business and political groupings have played an active role in determining and applying policy to the informal sector at the local level. For example, the Central

Business District Association (CBDA) in Pietermaritzburg argued strongly against allowing street-trading in the local CBD as it will "place the informal and retail sector in the city in jeopardy".<sup>17</sup>

I conclude this section by examining the *Businesses Act of 1991*. This Act is highly significant as it fundamentally alters the hitherto existing relationship between the central and local government levels of authority on policy issues concerning the conducting of business. The Act all but abolishes licenses and the often lengthy licensing procedure for licenses which do not pertain to the selling of prepared foodstuffs. Perhaps more significantly, the Act changes the relationship between levels of government by removing some of the authority previously found in the hands of the provincial and local authorities. This shift has created a heated debate, and some animosity towards the central government on the part of many local authorities. Local officials argue that:

If councillors can't take control of the city and run it the way they feel necessary then the law is depriving the Council and ratepayers of their rights.<sup>18</sup>

Indeed, the controversy has reached the point where the Natal and Cape Municipal Associations made submissions to the Joint Parliamentary Standing Committee to have the Act reviewed and repealed. Many of the harshest local restrictions and regulations, including 'move-on' rules, 'defended space' mechanisms, and time limitations, are affected by the new

legislation, which came into operation on 1 January 1992. Where previously the local authorities have had the power to formulate and implement their own restrictions to suit local circumstances (or prejudices for that matter), local lawmakers have had their autonomy limited in this regard and are now required to work within fairly strict parameters as defined by the new central legislation.

The thesis, at this point, moves from a broad examination of policy on the informal sector in South Africa, and focuses on the particular by exploring the specific dynamics of street-trading in Pietermaritzburg. The fifth chapter begins with an historical overview of the street-trading situation in the city, tracing the development of hawking from the days of repression and harassment to the period of advocacy and deregulation. This chapter incorporates findings of a detailed empirical survey of street-traders in the Retief Street area of the Pietermaritzburg central business district. The findings offer insight into the socio-economic and political dynamics of a street-trading community at the micro- or local level.

Chapter Five also shows that in Pietermaritzburg, while many local restrictive by-laws have remained in place technically, a shift in policy towards the informal sector generally, and street-trading specifically, has occurred. This shift has been largely unofficial and, on the face of it, appears to mirror the spirit of national and international shifts in

policy. In the 1988/9 period Pietermaritzburg City officials began a process whereby authority over street-trading affairs was decentralised to so-called "representatives" of the street-traders themselves. For a period, paid-up membership of the Siphamandla Hawkers and Vendors Association replaced licensing requirements. The Association was left with the task of controlling its members in selected areas of the city. On the face of it, it appeared as though the City officials had relinquished some of their control over hawking by "contracting out" authority over street-traders in some instances.

A closer look, however, reveals that there is far more to this deregulation than meets the eye. Firstly, it must be remembered that, despite these *de facto* alterations in policy, many related by-laws, particularly those relating to health and traffic remain in place, thereby allowing the City authorities to crack down on street-traders if they see that their end of the bargain is not upheld (although, in the case of old anti-trading by-laws this will no longer be possible since the *Businesses Act* came into effect in January 1992). Secondly, the chapter will show that a complex web of patronage relations exists. The relationship between Siphamandla, the City Council, and the business sector is found to be fraught with clientelist links, with a structure known as the Street-trading Working Group being the key in this relationship. Siphamandla offers its clients, the hawkers, protection in exchange for a monthly subscription fee of R7.50 each. This is substantial if one considers that membership

throughout Natal stood at 1671 in 1989. Siphamandla, in turn is dependent on good relations with the Council in order to deliver this protection. In exchange for this, the Association undertakes to control its membership, both in terms of restricting membership numbers, and controlling where the traders operate. The Council and organised business sector, apart from guaranteeing protection, offers Siphamandla material assistance, in the form of low rental office space and financial aid for development projects. A follow-up study conducted in 1992, however, showed that this relationship had begun to crack, with Siphamandla membership beginning to drop.<sup>19</sup>

In short, Chapter Five will show that, despite having the veneer of being deregulated, street-trading is still very much controlled and regulated by local officials and business. In addition to this, the material conditions of street-traders in Pietermaritzburg do not appear to have changed significantly. Apart from reporting a drop in official harassment, the street-traders still find themselves exceedingly marginalised in terms of incomes.<sup>20</sup> A more recent study, conducted in 1992, confirms this showing the modal weekly profit of a street-trader to be R50.<sup>21</sup> For the vast majority, deregulation has not elevated their trading situation above the status of a survival strategy.

The local situation in Pietermaritzburg clearly illustrates the inadequacy of simple deregulation as a policy for developing

the informal sector. Similarly, Rogerson concludes, after a review of empirical studies in the Johannesburg area, that informal sector promotion schemes, particularly those created and controlled by the formal capitalist mode of production, are likely to engender an increasing differentiation among informal sector operators, rather than alleviating poverty and unemployment on any significant scale.<sup>22</sup> Despite the far-reaching changes that the new *Businesses Act* will bring, more proactive measures will have to be incorporated into the planning and execution of policy if the sector is to live up to its potential of an important employment generator.

Chapter Six of this thesis will explore additional potential policy measures, examining and evaluating proposals made by planners and academics to stimulate the informal economy. The chapter will argue that a radical shift in existing loan policies of parastatal development organisations such as the Small Business Development Corporation (SBDC) is needed, thereby opening up channels for the small street-trader to acquire venture and operating capital. Recent studies, including a 1992 World Bank report<sup>23</sup>, have illustrated this problem with some showing that little over 5% of SBDC loans have been made available to small operators requiring loans of less than R2 000. In contrast, almost 85% of SBDC loans were granted to businesses requiring over R30 000.<sup>24</sup>



The chapter will also examine policy options at the spatial level. While the *Businesses Act* has set the conditions to make trading a lot easier in terms of where business may be conducted, it may be appropriate to identify and develop areas that have particular potential for providing employment. This policy option is similar in concept to the proposals put forward by the Natal Town and Regional Planning Commission where they mooted the idea of establishing Zero-Based Regulation Areas (ZEBRAS). In these areas deregulation could be extended well beyond that legislated in the *Businesses Act*. These areas would be located in high activity nodes such as taxi ranks and bus-stops. The promotion of ZEBRAS in suitable geographical locations to supplement current deregulation initiatives may enhance the prospects and possibilities of informal activity.

Neither improved loan policies, nor extended deregulation enclaves, however, will work without the involvement of the informal operators themselves in defining, developing and implementing these policies. Street-traders, and indeed, the informal sector in general, need to be involved in local government decision-making, particularly where their economic well-being is concerned. Chapter Five and Six show that such structures are beginning to emerge in an embryonic form, although as yet are not functioning properly.

Despite the important and desirable changes that the *Businesses Act* brings, once street-trading and informal sector

interests are represented at the municipal decision making-level, central government policy towards the informal sector should allow and encourage local government involvement in debating, determining, and implementing policies at the micro- or local level. The appropriate mechanisms for this can be worked out by the stakeholders in each local area.

While, as the penultimate chapter argues, a macro-level policy towards the informal sector ought to be developed and integrated into a broad macro-economic development policy for the country, it is as important that appropriate implementation structures are put in place. These could take the form of representative municipal decision making bodies (or negotiating forums) including informal sector representation. These structures could act relatively autonomously from central government (although within the broad macro-level policy framework) to formulate their own local policy towards the informal sector. In other words, effective policy towards the informal sector needs to be integrated in a model that is accommodating enough to include both macro- and micro-levels of debate, formulation and implementation.

## Notes

<sup>1</sup> Bromley, R. (ed.), 1979: *The Urban Informal Sector: critical perspectives on employment and housing policies*, Pergamon, Oxford, p. 1035.

<sup>2</sup> This figure of 900 000 has been used by Rogerson and Hart in 1989 as well as by Lawrence Mavundla in 1991.  
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Mavundla, L., 1991: *Freedom to be Enterprising*, Pavement Books, Johannesburg, p. 49.

<sup>3</sup> Dewar, D. and Watson, V., 1990: *Urban Markets: developing informal retailing*, Routledge, London, p. 1.

<sup>4</sup> Rogerson, C.M. and K.S.O. Beavon., 1980: 'The awakening of "Informal Sector" studies in Southern Africa', *South African Geographical Journal*, 62, 175-190, p. 175.

<sup>5</sup> Dewar, D. and Watson, V., 1990: *Urban Markets: developing informal retailing*, Routledge, London, p. 3.

<sup>6</sup> Dewar, D. and Watson, V., 1990: *Urban Markets: developing informal retailing*, Routledge, London, p. 1.

<sup>7</sup> Dewar, D. and Watson, V., 1990: *Urban Markets: developing informal retailing*, Routledge, London, p. 1.

<sup>8</sup> Hart, K., 1973: 'Informal income opportunities and urban employment in Ghana', *Journal of Modern African Studies*, No. 11, 61-89.

ILO, 1972: *Employment, Incomes and Equality: a strategy for increased productive employment in Kenya*, International Labour Office, Geneva.

<sup>9</sup> Moser, C.O.N., 1978: 'Informal sector or Petty Commodity Production: dualism or dependence in urban development?', *World Development*, 6, No. 9/10, 1041-1064, p. 1046.

<sup>10</sup> Bromley, R. and Gerry, C., 1979: 'Who are the casual poor?', *Casual Work and Poverty in Third World Cities*, Wiley, Chichester, p. 5.

<sup>11</sup> Bromley, R. and Gerry, C., 1979: 'Who are the casual poor?', *Casual Work and Poverty in Third World Cities*, Wiley, Chichester, p. 5.

<sup>12</sup> Rogerson, C.M., 1988: 'Late Apartheid and the urban informal sector', in J. Suckling and L. White (eds.), *After Apartheid:*

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renewal of the South African economy, Currey, London, 132-145, p. 134.

<sup>13</sup> Rogerson, C.M., 1988: 'Late Apartheid and the urban informal sector', in J. Suckling and L. White (eds.), *After Apartheid: renewal of the South African economy*, Currey, London, 132-145, p. 135.

<sup>14</sup> ILO, 1972: *Employment, Incomes and Equality: a strategy for increasing productive employment in Kenya*, International Labour Office, Geneva.

Hart, K., 1973: 'Informal income opportunities and urban employment in Ghana', *Journal of Modern African Studies*, No. 11, 61-89.

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<sup>15</sup> Rogerson, C.M. and Beavon, K.S.O., 1980: 'The awakening of "Informal Sector" studies' *South African Geographical Journal*, No. 62, 175-190, p. 175.

<sup>16</sup> South Africa, 1984: *Report of the National Manpower Commission on Investigations into the Small Business Sector in the Republic of South Africa, with Special Reference to the Factors that may Retard the Growth and Development Thereof*, Government Printers, Pretoria.

South Africa, 1984: *White Paper on a Strategy for the Creation of Employment Opportunities in the Republic of South Africa*, Government Printers, Pretoria.

South Africa, 1987: *White Paper on Privatisation and Deregulation*, Government Printers, Pretoria.

<sup>17</sup> *Natal Witness*, September 10, 1991, p. 1.

<sup>18</sup> *Natal Witness*, October 29, 1991, p. 9.

<sup>19</sup> McCarthy, J.J., T. Mosdell and P. Sapsford, 1992: *Street Trading in Pietermaritzburg*, Department of Geography - University of Natal, Pietermaritzburg, p. 30.

<sup>20</sup> The mean personal income was calculated at R191.70 per month in 1989, with the mode lying in the distribution R0.00 - R100.00. 74% of the street traders were found to be earning R200.00 per month or less. See appendix 1 for more detail.

<sup>21</sup> McCarthy, J.J., T. Mosdell and P. Sapsford, 1992: *Street Trading in Pietermaritzburg*, Department of Geography - University of Natal, Pietermaritzburg, p. 8.

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<sup>22</sup> Rogerson, C.M., 1988: 'Late Apartheid and the urban informal sector', in J. Suckling and L. White, *After Apartheid: renewal of the South African economy*, Currey, London, 132-145, p. 137.

<sup>23</sup> Schacter, M., 1992: *Microentrepreneurship in South Africa: the impact of regulation and support services*, Country Economics Department, The World Bank, p. 13.

<sup>24</sup> Booth, D., 1988: 'Measuring the success of employment creation strategies in the Apartheid state', *Development Studies Unit Working Paper No. 17*, Centre for Applied Social Sciences, Durban, p. 19.

## CHAPTER 2

### THE INFORMAL SECTOR: TOWARDS A DEFINITION

Despite the widespread use of the term "informal sector" among politicians, theorists, planners and the development set, a common definition of the concept has remained elusive. The term has acquired various meanings according to the slant of the researchers and their objectives. Consequently, the results of informal sector research and the policy alternatives offered are not always comparable, as often the writers are talking about essentially different concepts.

The term "informal sector" has its initial origins in West Africa, with the pioneering work of Hart. <sup>1</sup> He first used the term in the early 1970s in his study into the structure of urban unemployment in Ghana. Hart identified several economic activities that provide informal income opportunities. These informal sector enterprises were defined on the basis of self-employment rather than normal wage-employment. The concept gained momentum internationally after the International Labour Office (ILO) study into employment stimulation in Kenya in 1972. <sup>2</sup> Both Hart and the ILO realised that a great deal of economic activity was taking place despite the fact that it was not recorded in official labour and economics statistics. Many people who, technically speaking, were viewed as unemployed, were economically active. The term "informal sector" was developed to overcome this shortcoming.

The term "informal sector" offers a self-definition almost by exclusion. In other words, what is not formal is informal. The notion of an informal sector implies the existence of a formal sector which, in turn, implies a dichotomy of sorts. Exactly what each sector is made up of, and how they relate to each other is, however, a terrain that is extremely contested, as indeed, is the notion of a simple duality between two sectors. Dualist theorists, of whom Hart and the ILO are the earliest examples, contend that the urban economy comprises two distinct economies, a formal and informal one, working parallel to each other. While Hart and the ILO see these two economies interacting with each other, they do not consider this relationship to be uneven or exploitative. Both economies exist simultaneously, exploiting different markets. Where they do interact, it is seen to be beneficial to both sectors. For example, small traders and producers, while absorbing otherwise unemployed workers, can supply markets that larger enterprises find unprofitable to service. These small traders, in turn, are potentially lucrative markets for formal businesses.

Neo-Marxist theorists, such as Bromley, Gerry and Moser, on the other hand, generally subscribe to the "petty commodity production" model of the urban economy which involves "coexisting modes and forms of production, inextricably connected within an unequal, exploitative relationship of domination and subordination".<sup>3</sup> For example, formal building contractors may

make use of small informal operators on a sub-contractual basis at extremely low rates. The larger business tolerates and uses the informal builder but will use its economic muscle to prevent the small business from expanding to the point where it will offer serious competition. The following chapter picks up these points and focuses more thoroughly on the debates on the nature of the urban economy and the relationship between its components. The discussion in this chapter, however, will simply focus on exactly what constitutes the informal sector and will attempt to isolate those features that set this sector apart from the formal one.

In an attempt to isolate the distinguishing features of the informal sector, different theorists have come up with what they believe to be the overriding defining features. The following paragraphs will begin to trace some of these interpretations.

Broadly speaking, in the attempt to isolate the features that set the informal sector apart from the formal sector, two schools emerge. In one camp hand there are those who contend that the defining feature is to be found in the nature of the enterprise or economic activity engaged in. In contrast, it is also possible to treat the individual as the unit of dichotomisation. Depending on one's approach, the concept "informal sector" is thus open to a number of interpretations. These two broad positions will now be teased out in more detail.



Sethuraman, a researcher for the International Labour Office (ILO), adopts the former position and argues that the approach focusing on the characteristics of the enterprise engaged in is the important unit of analysis.<sup>4</sup> He is concerned with examining one or more of the following features of the enterprise: the mode of production, organisation and/or the scale of the operation. Here the nature of how the work is conducted is important. The ILO in its various policy documents and country studies uses this approach whereby the characteristics of the work itself are examined. The ILO's definition of the informal sector thus looks like this:

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the informal sector is one where free entry to new<sup>X</sup> enterprises exist; enterprises in this sector rely on indigenous resources; they are family owned and small scale; they use labour-intensive and adapted technology; their workers rely on non-formal sources of education and skills; <sup>X</sup> and finally they operate in unregulated and competitive markets. <sup>5</sup>

While such a set of defining features is clearly problematic in that it is by no means absolutely definitive, it has gone some way towards crystallising ideas about the two sectors by offering a workable definition that is fairly consistent. The ILO position is discussed further when the nature of the urban economy is examined in the following chapter. The

ILO view is not the only one which focuses on the nature of the enterprise in developing a definition.

Milton Santos also focuses on the nature of the enterprise as the defining criteria for categorising activities into, what he calls, an upper circuit, or formal sector, and a lower circuit, or informal sector. Table 1 illustrates how characteristics of any activity differ under each of these two circuits. <sup>6</sup>

Table 1

CHARACTERISTICS OF THE COMPONENTS OF THE URBAN ECONOMY <sup>7</sup>

Characteristics	Upper Circuit	Lower circuit
Technology	Capital-Intensive	Labour-intensive
Organisation	Bureaucratic	Generally family-oriented
Capital	Abundant	Scarce
Hours of work	Regular	Irregular
Regular Wages	Normal	Not required
Inventories	Large quantities and/or quality	Small quantities, poor quality
Prices	Generally fixed	Generally negotiable between buyer and seller
Credit	Banks and other institutions	Personal non-institutional
Relations with Clientele	Impersonal and/or through documents	Direct, personal
Fixed costs	Important	Negligible
Publicity	Necessary	None X
Re-use of goods	None, wasted	Frequent
Overhead capital	Indispensable	Not indispensable
Government capital	Important	None or almost none X
Direct dependence on foreign countries	Great, outward oriented activity	Small or none X

Santos takes the ILO approach somewhat further by offering a checklist of clear defining categories. However, like the ILO's definition, this model is not without flaws. For example, some informal operators may work regular hours, have a series of fixed costs, and may make extensive use of advertising and publicity. By the same token, formal businesses' prices are often negotiable between buyer and seller, particularly between wholesaler and retailer. Nevertheless, if one looks at the set of characteristics as a whole, Milton's matrix offers a fairly clear structured way of determining whether an enterprise ought to be seen as formal or informal.

An alternative approach uses the individual as the economic unit of distinction between the informal and formal sectors. This position essentially regards employment in the formal sector as being "protected" while informal sector employment is "unprotected". In other words, entry into the formal sector with its high wage levels and good working conditions is restricted and is not freely available to employment seekers without the crossing of a threshold. This threshold can be made up of a variety of different elements. High entry qualifications, closed shop arrangements and lengthy periods of work experience are a few examples. Mazumdar argues that this regulation of labour supply may arise from the protectionist policy of trade unions or from government legislation or from both acting together. <sup>8</sup>

Clearly both the "enterprise" and "individual" based models have much to offer. The former offers insight into some of the physical characteristics that distinguish an informal enterprise from a formal one, while the latter illuminates the difference between the relationship that each sector has with the state and with trade unions. In constructing a meaningful definition of the informal sector, it is useful to be as inclusive as possible; as such elements from both models ought to be included.

The approaches towards a definition outlined thus far are all theoretical positions. Another dimension that needs to be considered when working towards a definition of the informal sector is that of official enumeration. One of the earliest definitions was documented by Hart who viewed the informal sector as "...the unenumerated sector characterised by self-employment".<sup>9</sup> By unenumerated, Hart is referring to all economic activities that are not reflected in the state's official economic figures which include, amongst others, licensing information, Gross Domestic Product and census figures. This definition has the drawback of being extremely broad. For example, a diverse range of activities could feasibly be encapsulated by the definition, including corporate tax-evaders, pick-pockets, prostitutes, street-traders, office stationery pilfering, shop lifters, unlicensed taxi operators, flea-market hobbyists and room lettors to name a few. It also has the problem of being ambiguous. For example, a licensed street-trader may be reflected in some official figures (notably licensing figures), but yet his/her

income is not officially recorded in figures such as the GDP. Despite these problems, the unenumerated characteristic of the informal sector is important when considering the defining features of the informal sector. After all, it was the hidden nature of a wide range of economic activities that was one of the primary reasons for the development and growth of the informal sector concept.

A further dimension that needs to be borne in mind in the quest for a suitable definition for the informal sector is the question of legality versus illegality. Related to this, it is important also to consider what Rogerson refers to as 'acceptable' versus 'unacceptable' economic activities.<sup>10</sup> Strictly speaking, depending on the country in question, many informal sector activities, including tuck shops, street-trading, pirate taxi services and backyard mechanic businesses, may be illegal. These businesses are usually unlicensed and do not declare their profits to the tax authorities. However, most people would not regard these activities as socially unacceptable as they can rarely be seen as threatening in themselves and often serve a useful community purpose. Clearly there is no general consensus on what constitutes "acceptable" behaviour, but the types of activities mentioned above are generally not perceived by the average person to be in the same category as, for example, prostitution, illegal medical practices, shoplifting and protection rackets. Rogerson, for example, argues that:

Small can be anti-social, inhuman or dangerous as well as 'beautiful'. If the pursuits of the hawker, backyard manufacturer or unlicensed taxi-driver infringe certain existing conceptions of legality, rarely would such activities be seen as socially threatening. By contrast, a listing of 'unacceptable' small-scale enterprises in most societies would encompass activities such as begging, prostitution and theft. <sup>11</sup>

While there is no clear boundary between 'acceptable' and 'unacceptable' economic activity, it is possible to distinguish between legitimate and illegitimate self-employment. One could adopt the approach that those activities which are illegal simply due to a transgression of licensing regulations should be considered legitimate, while those activities which would be illegal despite a deregulation of licensing rule could be regarded as illegitimate. Such an approach raises a number of moral issues, particularly when it comes to who decides or judges what is legitimate or illegitimate, but it does provide another angle towards defining the sector.

Another defining characteristic often used to set the informal sector apart from formal enterprises is the size or scale of the business. Generally speaking, informal sector activities are confined to small-scale operations. Indeed, in the event of the business expanding to the size normally associated with the formal sector, the informal operator will generally opt

for formal status by registering the concern with the authorities. One of the reasons for this is that, while officials may let small-scale operations go relatively unharassed, once the business grows to beyond a certain size it is extremely difficult to go undetected. In addition to this, as the enterprise expands, access to appropriate finance capital, rental accommodation and wholesale suppliers becomes more and more dependent on the business being formally constituted and recognised as a legal entity.

However, there are very real problems associated with using size as a defining factor. It is extremely problematic to prescribe specific dimensions in this regard. Firstly, on what basis does one measure size? A number of possibilities present themselves, for example, turnover, number of staff employed, size of customer base, size of premises, and the size of the capital base, to name a few. Secondly, once the basis for measurement has been decided, exactly where one pitches the cut-off level is another problematic issue. It is feasible that some street-traders could have turnover figures similar to formal shops. By the same token, a formal business may have a very small, exclusive customer base. Despite these problems, the size of an enterprise is one of the most common criteria used to categorise the business into the formal or informal sector.

Another point that must be stressed in describing the informal sector is its heterogeneous nature. Part of the

confusion surrounding the definition of the sector can be attributed to the fact that a considerable number of activities could be termed informal. Depending on the combination of enterprises that one selects to study, one's definition is bound to vary. The informal sector includes activities involved in production (food, clothes and curios), distribution (fruit, liquor, drugs) and the provision of services (transport, sex, repairs). For the researcher involved in the study of production oriented enterprises, it is easy to overlook service and distribution oriented activities when constructing a model of the informal sector.

Bromley and Gerry, in an attempt to break the logjam caused by some of these conceptual ambiguities, argue that, instead of drawing a simple distinction between the informal and formal sectors, it is more appropriate to conceive of a continuum of work situations ranging from stable wage work to true self-employment.<sup>12</sup> Paradoxically, Bromley and Gerry's entry into the debate around the informal sector may lead to the eventual redundancy of the term, as their paradigm implies a reconceptualisation of terminology in this area of study. Although it needs to be said that by simply changing the terms, one is not necessarily changing the theoretical framework.

Clearly notions of formality/informality can still be accommodated within their continuum. Bromley and Gerry's continuum is characterised by five "work situations". Moving from



the most formal to the least formal, these categories are: stable wage work, short-term wage work, disguised wage-work, dependent wage work, and true self-employment.<sup>13</sup> Street-trading, depending on the nature of the relationship between the traders and other components of the local urban economy can be situated at various parts of this continuum. For example, a street-trader with no links to formal enterprises can be considered to be self-employed. On the other hand, a trader tied to a particular supplier by credit arrangements could be seen to be involved in dependent wage work. Despite this possibility of the informal sector terminology being overhauled and made redundant due to theoretical advances, the term itself clearly still holds currency as much of the literature on development still deploys it, and as such it cannot yet be simply swept aside.

Considering all the above positions and debates, it is now possible to formulate an appropriate working definition for the purposes of this thesis. Similar to others before it, this definition will not be absolutely watertight and exceptions to the formulation will still exist. Essentially, "informal sector" is a cluster concept, consisting of various defining characteristics which add up to a reasonable profile of what it constitutes. Consequently, it is a definition which is not dominated by any particular ideological school, although it incorporates elements from many previous studies. For the purpose of this dissertation <sup>\*</sup>the informal sector consists of a heterogeneous range of relatively small-scale enterprises

characterised by self-employment, socially legitimate activity, and a lack of official economic enumeration.

This formulation accommodates the diversity found between different enterprises in the informal sector, it takes cognisance of the importance of size as a defining characteristic, it excludes small-scale enterprises that are controlled, directly or indirectly, by larger formal businesses, and it takes into account those enterprises that remain hidden from official statistics.

This definition clearly excludes a range of activities that some theorists may consider to be part of the informal sector, including enterprises such as prostitution, narcotics dealing and pimping. However, the criteria of excluding activities that would be illegal even if licensing regulations were waived is useful in that it serves to tighten the definition somewhat by limiting it and by presenting a framework that will be acceptable to the majority of policy makers and researchers.

This definition, however, does not identify and accommodate the complex relationships that exist between the informal and formal sectors. This is an important consideration as an adequate understanding of this relationship is central to any analysis of the informal sector. This formal/informal sector relationship can only be understood by locating these sectors, and the role played by them, in the context of the urban economy. Thus the following

chapter will look at various models of the urban economy, examining the various components of the economy and the complex range of interconnections that exist between them.

## Notes

- 1 Hart, K., 1973: 'Informal income opportunities and the structure of urban employment in Ghana', in *Journal of Modern African Studies*, (11), 1, pp. 61 - 89.
- 2 ILO, 1972. *Employment, Incomes and Equality: a strategy for increased productive employment in Kenya*, International Labour Office, Geneva.
- 3 Bromley, R. and C. Gerry (eds)., 1979: *Casual Work and Poverty in Third World Cities*, Wiley, Chichester, p. 4.
- 4 Sethuraman, S.V., 1981: *The Urban Informal Sector in Developing Countries: employment, poverty and environment*, ILO, Geneva, p. 17.
- 5 Sethuraman, S.V., 1981: *The Urban Informal Sector in Developing Countries: employment, poverty and environment*, ILO, Geneva, p. 17.
- 6 Rogerson, C.M. and Beavon, K.S.O., 1980: 'The Awakening of "Informal Sector" Studies in Southern Africa', in *The South African Geographical Journal*, 62, 175-190, p. 176.
- 7 Rogerson, C.M. and Beavon, K.S.O., 1980: 'The Awakening of "Informal Sector" Studies in Southern Africa', in *The South African Geographical Journal*, 62, 175-190, p. 176.
- 8 Mazumdar, D., 1975: 'The urban informal sector' in *World Bank Staff Working Paper No. 211*, World Bank, Washington, p. 1.
- 9 Hart, K., 1973: 'Informal income opportunities and the structure of urban employment in Ghana', in *Journal of Modern African Studies*, (11), 1, pp. 61 - 89.
- 10 Rogerson, C.M., 1988: 'Late Apartheid and the informal sector', in Suckling, J. and L. White, L. (eds), *After Apartheid: renewal of the South African economy*, Currey, London, p. 132.
- 11 Rogerson, C.M., 1988: 'Late Apartheid and the informal sector', in Suckling, J. and L. White, L. (eds), *After Apartheid: renewal of the South African economy*, Currey, London, p. 132.
- 12 Bromley, R. and C. Gerry (eds)., 1979: *Casual Work and Poverty in Third World Cities*, Wiley, Chichester, p. 5.
- 13 In the following chapter on the urban economy, these categories will be fleshed out in more detail.

## CHAPTER 3

### CHARACTERISTICS OF THE URBAN ECONOMY

In this chapter, a review of various schools of thought on the functioning and structure of the urban economy, and the informal sector's location within this, will be undertaken. Broadly speaking these schools can be categorised into two distinct groups: namely, dualist models of the urban economy and those models which loosely belong to the petty commodity production school of thought.

Prior to the 1970s the small-scale urban enterprise sector had been largely neglected by academics and theorists. In the past most development scholars, particularly those concerned with modernisation theory, regarded this sector as a marginal occupation group, forming part of an ever shrinking traditional sector in a traditional/modern dichotomy. For example Clifford Geertz, in his studies of Indonesia, distinguishes between the bazaar economy and the firm economy.<sup>1</sup> The bazaar economy is made up of a large number of small enterprises which rely on the intensive use of labour. These enterprises are highly competitive among themselves. Geertz argues that the bazaar economy represents a way of life and a means of absorbing surplus labour, but that it prevents capital accumulation and is not conducive to economic development because of its tendency to raise labour intensively rather than increase per capita productivity. Like

other modernisation theorists, Geertz contends that the expansion and development of the firm economy gradually displaces the bazaar economy by providing cheaper goods and services. By developing more sophisticated business practices and by deploying high technology capital equipment to improve productivity, the firm economy develops a comparative advantage over enterprises from the bazaar economy, eventually displacing it.

In the 1970s, however, this argument began to be challenged. A new thrust began to emerge, including the pioneering work of Keith Hart. In a work entitled 'Informal income opportunities and urban employment in Ghana' <sup>2</sup>, Hart contends that the informal sector provides an important permanent means of livelihood for new entrants to the urban labour force, who otherwise would be unable to find employment in the formal sector. He stressed that there are two distinct urban economies - the formal and the informal. Government planning and economic analysis, he argued, had unthinkingly transferred Western categories to the economic and social structures of developing African cities. He contended that the development process needs to grant a place to the analysis of informal as well as formal structures. <sup>3</sup> The International Labour Office (ILO) further fuelled interest in and debate on urban small scale enterprise by asserting that the activities of this sector have a potentially important role to play in Third World employment and economic growth.

The ILO in a 1972 report entitled *Employment, Incomes and Equality: A Strategy for Increasing Productive Employment in Kenya* argues that, by promoting and stimulating the growth of the urban informal sector, problems such as unemployment and economic stagnation could be effectively addressed. Like Hart, the ILO clearly distinguishes between two discrete urban sectors. The dualism expressed here is characterised by two distinct categories of enterprises. The ILO's distinctions between the informal and formal sectors are outlined in the Kenya report as the following table illustrates: <sup>4</sup>

Table 1

CHARACTERISTICS OF THE INFORMAL AND FORMAL SECTORS <sup>5</sup>

Informal sector Characteristics	Formal Sector Characteristics
i. ease of entry	i. difficult entry
ii. reliance on indigenous resources	ii. frequent reliance on overseas resources
iii. family ownership of enterprises	iii. corporate ownership
iv. small scale of operation	iv. large scale of operation
v. labour-intensive and adapted technology	v. capital intensive and often imported technology
vi. skills acquired outside the formal schools system	vi. formally acquired skills, often expatriate
vii. unregulated and competitive markets	vii. protected markets

This dualist model replaces the traditional/modern dichotomy of the modernisation theorists in the sense that, here, in this case both sectors are regarded as modern and that both are dynamic and capable of growth. The characteristics of the two

sectors as outlined by the ILO above are, however, not without serious problems.

The formal/informal dichotomy as it is presented is highly polarised and misleading. As already illustrated in the introductory chapter, in reality a fine line exists between informal street-traders and formal stall holders and small shopkeepers. To use another example, a small fruit and vegetable shop owner may find himself ~~purchasing goods from the same source, competing for the same market, and charging similar prices for the same product~~ as his informal fruit vending counterpart. Certainly there are some differences in that the shop owner has higher overheads, pays taxes and is licensed, but <sup>does not have licence</sup> essentially the characteristics of the type of work are similar. Notwithstanding this, the Kenya report's conclusion is that the informal sector is capable of creating more jobs and growing faster than the formal sector and that, far from being marginally productive, the informal sector is potentially efficient and profit generating. The dualist model as outlined by Hart and the ILO is based on the differences between the character of informal enterprises and formal enterprises.

Milton Santos builds on this notion of duality.<sup>6</sup> In his analysis of the urban economy in underdeveloped countries he identifies and describes two circuits of economic activity. The upper circuit consists of those structures and enterprises which are based on modern technology and which are oriented towards the



advanced capitalist world. The lower circuit, on the other hand, comprises traditional processes and forms of exchange. These processes would typically be labour intensive, family-organised, small-scale activities with no real capital base to speak of. Santos argues that, for too long, planners and theorists have identified the modern component of the urban economy with the whole city. Instead

[t]he lower circuit must now be recognised as an element indispensable to the understanding of urban reality. Measures must be found to increase the lower circuit's productivity and sustain its growth while at the same time retaining its privileged role as a supplier of employment.<sup>7</sup>

Santos stresses that, in order to fill the gaps in our knowledge, accurate field studies into lower circuit activities, such as hawking and street-trading, need to be done.

Other dualist theorists such as D. Mazumdar and John Weeks, however, stress factors other than the nature or character of enterprise in drawing up their dualist, formal/informal sector, dichotomy. Mazumdar, for example, stresses differences in labour market status, rather than type of enterprise as the key factor. He distinguishes between the 'unprotected' informal labour market and the 'protected' formal labour market. This dichotomy derives from the problem of the slow rate at which economically active people are absorbed into productive employment in Third World

cities. Factors contributing to this slow rate of labour absorption include capital-intensive production methods and, subsequently, a low turnover of employed personnel. His dualist conception, based on the regulation of labour supply, is described as follows:

The basic distinction between the two sectors turns on the idea that employment in the formal sector is in some senses protected so that the wage level and working conditions in the sector are not available, in general, to the job seekers in the market, unless they manage to cross the barrier of entry somehow. This kind of 'protection' may arise from the action of trade unions, of governments, or of both acting together. <sup>8</sup>

Mazumdar's model is particularly interesting when considering the regulation of labour supply in the South African context. Apartheid legislation and its complex web of labour controls based on ethnicity add a new dimension to the formal/informal dichotomy. Clearly, the social engineering undertaken in the name of apartheid has had the consequence that much of the "unprotected" informal labour market is black.

Weeks, on the other hand, argues that the difference between the informal sector and the formal sector lies in the nature of the relationship each has with the state. He emphasises the broader structural determinants of economic viability and

profitability. In this model the formal sector includes government activity itself and therefore "Numerous measures are seen to restrict competition - and thereby reduce risks and uncertainty, fostering formal sector economic operations." <sup>9</sup>

Here state regulatory measures such as selective monetary controls and licensing regulations ensure the maintenance of this dichotomy. In other words, the dichotomy is a structural one based on the relationship with the state. He stresses, however, that the relationship between the two sectors is a benign one and that linkages between them should be encouraged to the advantage of both. Weeks contends that by stimulating the informal sector, a country's economy can benefit in a number of ways.

The informal sector, he argues, fills certain gaps - for example, it has the capacity to produce, provide and distribute consumer goods and services for the lowest income groups that bigger, formal operations would not find viable. Take for example, the case of hawkers and street-traders who provide the convenience of selling very small packages of consumables at transport depots such as bus-stops. The informal sector, given its flexibility, can fill niches that are not profitable for formal operators by providing small, affordable quantities at convenient locations that offer easy access to customers both spatially and in terms of convenience. The informal transport industry in South Africa is another example where informal operators have stepped in where the state and large bus operators

have found it unprofitable to operate. In addition, the informal <sup>✓</sup> sector is labour-intensive, offering employment to a large number of people, thereby stimulating internal consumer markets and providing economic stability.

Dualist conceptions of the urban economy, such as those outlined above, had, towards the end of the 1970s, been established in academic and policy circles as 'conventional wisdom'. But, at about this time, serious criticisms of the paradigm began to emerge. Critics, such as Bromley and Gerry argue that the dualist approach is problematic in that it lumps all economic activity into one of either the formal or the informal sector - ignoring activities which could be regarded as transitional. <sup>10</sup> Differences, often small, in overhead costs, accounting procedures, and licensing requirements are not always enough to warrant that two, otherwise similar, businesses should be separated and categorised with one being formal and the other informal.

The dualists were also criticised for viewing the formal and informal sectors as being autonomous, whereas many subsequent writers see the relationship between the sectors as one of domination and subordination. Bryan Roberts, in a critique of the theory of marginalisation, goes some way towards recognising the linkages between parts of the urban economy, contending that the relationship between the urban poor and the capital-intensive industrialised sector is a complex one. Rather than identifying

two distinct urban economies, as the dualists have, he maintains that there are essentially two components making up a single economy. Roberts argues that the poor are a necessary part of the industrialisation process. In other words, they are functionally indispensable in a particular form. Some small scale activities, such as informal taxi operators, are clearly beneficial to the capital-intensive sector. In addition to this, marginal occupations, by providing cheaper services in food provision and housing "reduce the labour costs of large-scale industry by reducing the reproduction costs of that labour sector." <sup>11</sup>

Other writers, including Caroline Moser, see these linkages between different components of the urban economy as being characterised by relations of dominance and subordination. Nevertheless, this inability of the dualist school to explain adequately the nature of linkages between sectors of the urban economy has contributed to the development of an alternative theoretical framework.

Caroline Moser, in a paper entitled 'Informal Sector or Petty Commodity Production: dualism or dependence in urban development', argues that a framework focusing on the relationship between different components of the urban economy is preferable to defining two discrete sectors. <sup>12</sup> She labels her approach 'The Petty Commodity Production' model. This model has developed into a school of thought that challenges the dualist's formal/informal sector dichotomy and assumes the presence of

different modes of production within the urban economy which are linked by relations of domination and subordination.

Rogerson, taking Moser's argument a step further, argues that, far from being increasingly marginalised to the point of being forced out of the urban economy altogether, the poorest components of the urban economy are often preserved and restructured by the relations of subordination and domination between different modes of production, despite their weaker relative position. <sup>13</sup> Rogerson attributes the survival of small scale, informal activities to several factors.

Firstly, the dominant capitalist sector is often 22 preoccupied with the export economy (and lucrative internal markets) and as such lacks interest in production and services for parts of the poorer domestic market.

Secondly, the existence of a small-scale, informal sector (petty production mode) may be functional to the dominant capitalist mode in that it produces goods and services which capitalist firms are unable to produce profitably (e.g. cheap food and transport).

Thirdly, the informal sector serves the interests of the state in that it alleviates the unemployment crisis. It also reduces the necessity for the state to provide welfare as much of

this sector comprised family enterprises where household heads provide welfare to relatives.

Finally, the informal sector itself exerts pressure. Far from being a passive group, this sector is active in promoting its survival and is extremely durable.<sup>14</sup>

Many writers loosely connected to the petty commodity production schools, including Moser, Bromley and Gerry, see the forms of production in terms of a continuum rather than distinct categories. At one end of this continuum they locate pure artisanal production, and at the other end they place capitalist production. In an article entitled, 'Who Are the Casual Poor?', Bromley and Gerry set out a continuum of work situations.<sup>15</sup> On the capitalist production side they locate stable wage work, which refers to work situations offering steady, legal, full-time employment and relative stability. Moving along the continuum towards pure artisanal production, they locate, what they call, short-term wage work, which refers to work paid for and contracted on a short-term basis with no security of future employment, which could include seasonal and contract work. The next situation along the continuum is disguised wage work, which is work carried out away from the employer on a piece-wage basis. Door-to-door sales canvassing on a commissioned basis is an example of this type of work. The next work situation that they identify is dependent work, which is work conducted on a casual basis with one or more large enterprises. Building sub-

contractors would fall into this category. Finally, at the end of the continuum we find what Bromley and Gerry call true self-employment, where there is relative freedom of choice regarding suppliers and outlets and where we find the ownership of the means of production in the hands of the worker.

The last four of these categories can be called casual work. Street-traders and vendors could fall into any one of these categories, depending on the relationship that the vendor has with formal enterprise. For example, a worker hired on a full-time basis by a fruit shop to sell as a hawker could be considered as a stable wage worker. On the other hand, a hawker who is employed periodically by the fruit shop with no guarantee of future employment could be considered to be a short-term wage worker. A worker employed to hawk goods on a commission basis could be seen to be involved in disguised wage work. At the end of the continuum, a hawker who is not employed by anyone, who has a choice of suppliers and markets, and who is free from harassment from other businesses, can be seen to be truly self-employed. Models of this kind outline various levels of dependency on the capitalist mode of production. In this model, relatively few casual workers can call themselves truly self-employed, and even those that do cannot escape being dependent on other components of the economy for skills, markets and supplies.

On the question of the future of the small scale informal sector or petty producers, Gerry argues that two opposite, but



related consequences can be expected. He believes that, in a minority of cases, a promotion to petty capitalist forms of production can occur where the self-employed find a lucrative niche where they can thrive. But, he contends that in general

for the majority of petty producers, there would be a spurious form of production involving an eventual loss of all but formal autonomy in production... In this latter case, while the 'pygmy property of the many' would retain a veneer of independence, the small workshop and its proprietor and workers would be transformed into 'disguised wage workers' contributing more to the process of capital accumulation outside its own limited sphere autonomy than to the much-vaunted 'internal' growth which was expected of the informal sector by the ILO. <sup>16</sup>

A major shortcoming of the petty commodity production school is its failure to recognise non-production oriented informal activities. This approach treats production as the defining characteristic, when much of what is commonly categorised as informal work is not necessarily production oriented. Such activities would include the provision of services, which, it would seem, makes up an important component of this type of economic activity. Those street-traders who do not add value to their products, baby sitters and scavengers would, to name a few, fit into this category.

A failing of both the dualist school and the petty commodity production school, touched on in the introductory chapter, is the fact that both analyses tend to be gender blind. For example, the ILO studies concentrate primarily on male informal sector workers ignoring, to a large extent, the role played by women in this sector. This is a major problem, particularly considering that many informal activities are, in fact, dominated by women. Hawking and child care are prime examples of this. Perhaps because these activities are among the least lucrative of the informal sector, the ILO chose to ignore them. Nevertheless, a significant number of people find a livelihood in these enterprises.

On the other hand, according to Roldan, the petty commodity production school fails to "focus upon relations of domination which are nor directly expressed in terms of class" The approach has not been able to answer questions relating to gender oppression under capitalism, "nor has it been able to provide the tools for critically evaluating urban, employment creation policies aimed at women and yet based upon an undifferentiated promotion of the informal sector." Without the central issue of gender being taken into consideration, Roldan argues, such policies are more likely to result in the reinforcing of subordinate gender roles for women, than in their progressive elimination. <sup>17</sup>

The sole emphasis of production and class as defining characteristics in the petty commodity production school and its failure to explain adequately the role of gender in the urban economy are serious limitations facing this school. The dualists, on the other hand, find themselves with a model based on the nature and character of work activity which, by and large fails to recognise the potentially exploitative linkages which exist between the various parts of the economy. As has been illustrated, the dualist model has serious limitations as it does not have the flexibility to differentiate adequately work activities that do not fit into its rigid categories. Clearly both these approaches have serious limitations, yet they have both, in their own way, assisted enormously in explaining the dynamics of the urban economy. A synthesis of the best aspects of these models is possibly the most useful approach.

The dualists, by recognising the heterogeneity of the economy, have presented us with a model that, on the face of it, seems to demand a differentiated set of policies aimed at stimulating the two components of the economy. This would seem to make a great deal of sense as such an approach is flexible and able to accommodate diversity. The petty commodity production theorists, however, warn us to be wary of accepting, uncritically, the relationship between the different parts of the economy as these linkages are often far from benign.

Although it is clearly impossible to reconcile completely these two models, it is useful, particularly when it comes to analysing and advocating policy initiatives towards the informal economy, to take these two aspects on board. The following chapters begin to move from the general to the more specific, beginning with an analysis of legislation and policy shifts towards informal economic activity in South Africa.

## Notes

- <sup>1</sup> Roberts, B., 1978: *Cities of Peasants: explorations in urban analysis*, Edward Arnold, London, p. 110.
- <sup>2</sup> Hart, K., 1973: 'Informal income opportunities and urban development in Ghana' in *The Journal of Modern African Studies*, 11, pp. 61 -89.
- <sup>3</sup> Hart, K., 1973: 'Informal income opportunities and urban development in Ghana' in *The Journal of Modern African Studies*, 11, p. 89.
- <sup>4</sup> ILO, 1972: *Employment, Incomes and Equality: a strategy for increasing productive employment in Kenya*, ILO, Geneva, p. 6.
- <sup>5</sup> ILO, 1972: *Employment, Incomes and Equality: a strategy for increasing productive employment in Kenya*, ILO, Geneva, p. 6.
- <sup>6</sup> Santos, M., 1979: *The Shared Space: the two circuits of the urban economy in underdeveloped countries*, Methuen, London, p. 9.
- <sup>7</sup> Santos, M., 1979: *The Shared Space: the two circuits of the urban economy in underdeveloped countries*, Methuen, London, p. 9.
- <sup>8</sup> Moser, C., 1978: 'Informal sector or petty commodity production: dualism or dependence in urban development' in *World Development*, 6, p. 1053.
- <sup>9</sup> Moser, C., 1978: 'Informal sector or petty commodity production: dualism or dependence in urban development' in *World Development*, 6, p. 1054.
- <sup>10</sup> Bromley, R. and Gerry, C., 1985: 'Who are the urban poor?' in Bromley, R. and Gerry, C. (eds), *Casual Work and Poverty in Third World Cities*, Pergamon, Oxford, p. 5.
- <sup>11</sup> Roberts, B., 1978: *Cities of Peasants: explorations in urban analysis*, Edward Arnold, London, p. 168.
- <sup>12</sup> Moser, C., 1978: 'Informal sector or petty commodity production: dualism or dependence in urban development' in *World Development*, 6, p. 1053.
- <sup>13</sup> Rogerson, C.M., 1986: 'Late Apartheid and the urban informal sector', paper presented to The Southern African Economy After Apartheid Conference, Centre for Southern African Studies, University of York, 29 Sept to 2 Oct 1986, p. 6.
- <sup>14</sup> Rogerson, C.M., 1986: 'Late Apartheid and the urban informal sector', paper presented to The Southern African Economy After

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<sup>15</sup> Bromley, R. and Gerry, C., 1985: 'Who are the urban poor?' in  
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<sup>17</sup> Rogerson, C.M., 1986: 'Late Apartheid and the urban informal  
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Apartheid Conference, Centre for Southern African Studies,  
University of York, 29 Sept to 2 Oct 1986, p. 10.

## CHAPTER 4

### LEGISLATION AND POLICY TOWARDS THE INFORMAL SECTOR

Most legislation affecting the activities of the South African urban informal sector located at the central government level has been repealed or severely revamped over the past number of years. This shift in policy is not a purely South African phenomenon. As outlined in a previous chapter, policy towards the informal sector in the developing world has changed substantially over the last decade. This chapter will trace this shift internationally as well as outlining the changes in South African central government legislation.

In South Africa, power and control over the informal sector through official policy and legislation has been exercised at two different levels, central and local. Up until 1991 the most powerful control over the informal sector lay in the hands of local authorities. The Local Government Ordinance empowered local authorities to ~~prohibit or restrict~~ all forms of informal sector activity as they saw fit. In this period, despite initiatives by central government to ease restrictions on small trading, harsh restrictions remained in place. Central government policy, as reflected in the 1984 *White Paper on a Strategy for the Creation of Employment Opportunities in the Republic of South Africa*, and in the 1987 *White Paper on Privatisation and Deregulation in South Africa*, clearly advocated an easing of trading

restrictions. Nevertheless, despite this, the central state had no real legal basis for implementing these policies as local authorities, in the final analysis, had the final say in what policy was adopted in their areas.

However, the new *Businesses Act* of 1991 has resulted in significant changes. The Act effectively shifts decision making powers over the informal sector away from local government level and locates it in central government legislation. This has had the consequence of facilitating access to informal sector trading opportunities. I shall now deal with this Act and the implications of its implementation.

As outlined previously, international policy towards the informal sector generally, and to hawkers specifically, has changed significantly in the period since the 1970's. Up until this period city policy makers in developing countries had viewed the informal sector as a ~~problem not befitting the image of a~~ modern developing city. From a planning perspective, especially from those who see planning from a Western viewpoint, the informal sector represented the antithesis of appropriate modern development. Ray Bromley in discussing the street-traders' situation in Cali, Colombia argues that:

The urban authorities and other representatives of local elites usually consider street-traders to be a nuisance, making the city look untidy and ugly by their very presence,



causing traffic congestion, dropping litter, molesting passers-by, depriving the law-abiding and tax paying shops of trade, and spreading diseases by physical contact and the sale of contaminated or rotting food. <sup>1</sup>

However, during the early 1970's, the reformist school, led by the International Labour Office (ILO) began to emerge. Planners within this school began to see the informal sector as having great ability and potential to facilitate and stimulate employment creation and economic growth. While this position has not gone unchallenged, it has indeed led to a general shift in policy towards the informal sector in the developing world. Countries where informal sector activity is actively promoted include Kenya, Hong Kong, Indonesia and Malaysia. This promotion takes the form of relaxed licensing policy, the provision of loans and the making available of space for informal sector activity. <sup>2</sup> Indeed, a similar change has occurred in South Africa at the central government level.

Historically, the South African black entrepreneurial sector, including the formal and the informal components, has been subject to a plethora of legislative restrictions. Broadly speaking, central legislation affecting the informal sector can be divided into two categories: those restricting freedom of movement; and those restricting freedom to trade. In recent years deregulation of both of these categories has occurred. The Black Land Act of 1913 and the Development Trust and Land Act of 1936

prevented blacks from owning land outside special reserves. During the 1960's in the so-called "Verwoerdian" era urban blacks were seen as temporary "visitors" in white South Africa with no rights to permanent residence whatsoever. Over the years these statutory restrictions, although remaining in place, began to soften. In 1978 the first sign that Blacks were recognised as a permanent part of South Africa came with the introduction of ninety-nine year leasehold title. This form of tenure enabled the holder to occupy and develop the land, as well as to dispose of and bequeath this land. With each transfer the ninety-nine years would start afresh. The Black Communities Development Act 4 of 1984 went a step further by lifting the restrictions against a black person's right to own property. There was, however, an important proviso as is evident in Tager's observation that:

any black South African citizen, including black persons who are citizens of the so-called Independent States (Transkei, Bophuthatswana, Venda, Ciskei) and the six Self-governing territories (KwaZulu, QwaQwa, Gazankulu, Kangwane, Kwandebele, Lebowa) may acquire (i.e. lease or own) property in any urban area *which is set aside for occupation by blacks.* <sup>3</sup>

These concessions were rather insignificant given the restrictions of the Group Areas Act. But as Tager argues, black investors are now in a position to establish a capital base and raise mortgages where previously this was impossible. In addition

to the easing of freedom of movement, the Abolition of Influx Control Act 68 of 1986 restored the right of freedom of movement to blacks in South Africa. At the same time approximately 100 previously white Central Business Districts (CBDs) were declared Free Trade Areas enabling all South Africans to lease or own property in these areas. The relative freeing of black mobility in South Africa with the removal of the *Group Areas Act* and other legislation has resulted in increased urbanisation which in turn has led to increased urban unemployment. Given this trend, it stands to reason that more and more people will enter the informal sector in various ways. For example, studies in Durban have shown that in some townships over 50% of households are involved in the informal sector to one degree or another. <sup>4</sup>

In addition to restrictions on freedom of movement, black businesses and informal traders have been faced with a multitude of restrictive racial laws designed to discourage economic development. This legislation has been extremely repressive. Tager argues that

The extent of the legislation governing black business activity has been such that it is quite remarkable that a business community has been able to emerge at all. It is only since 1979 that blacks outside the homeland areas have been permitted to undertake any form of industrial activity. <sup>5</sup>

She argues further that due to the dearth of business sites for blacks, the prohibition of the use of residential sites for business purposes and other restrictive provisions has forced would-be black business people into the informal sector. An example of this repressive legislation can be found in section 24(3) of the Development Trust and Land Act of 1936 which stipulated that all black traders and professionals were required to obtain the permission of the Minister annually before they could trade; this in addition to obtaining the normal trading licence. Many of these restrictive measures, including the need to gain Ministerial permission, however, have been repealed by the Development Aid Laws Amendment Act of 1988.

In addition to these regulations, further discriminatory legislation affecting areas of jurisdiction such as health, licensing and registration procedures were contained in two major laws. Regulation 1036 of 1968 "Regulations Governing the Control and Supervision of an Urban Residential Area and the Relevant Matters" and Proclamation 293 of 1962 "Regulations for the Administration and Control of Townships in Black Areas" applied to urban areas and the homelands respectively. These regulations imposed strict conditions on any black economic activity as Tager shows:

The regulations prohibited a black person from raising capital or from sharing his profits with a non-black without permission; he could not employ non-blacks, he had to submit to a medical examination and keep his

books of account open for inspection not by tax inspectors but by township managers. He could not dispose of his business without permission and he was vulnerable to the possibility of having his trading rights cancelled. A person's right to trade could be cancelled if his municipal service levies were in arrears or if he was convicted of certain criminal offences. <sup>6</sup>

While many of these measures served to force many would-be black business people into the informal economy, these regulations were also used to restrict these activities. Township managers could use this legislation to curtail any economic activity they chose. In 1988 both Proclamation 293 and Regulation 1036 were repealed.

This chapter so far has shown that many of the harsh, racially based laws affecting the black business community, have been repealed. While the easing of these restrictions undoubtedly relieves the plight of black informal economic concerns in some cases, the most important restrictions remain in place, namely those promulgated at the local municipal level in the form of by-laws. Generally these by-laws, until now, have not mirrored the changes in policy found at the central level. Regarding municipal by-laws, Rogerson and Hart argue that "South African urban authorities have fashioned and refined some of the most

sophisticated sets of anti-street-trader measures anywhere in the developing world." <sup>7</sup>

They contend that the actions of local authorities towards the informal sector can be divided into two policy categories, namely, locational and structural actions. A major locational mechanism that local authorities have used to control hawking has been the demarcation of areas of defended space in which no informal trading activity is permitted. Even licensed hawkers were restricted from trading in these areas. Typically the potentially most lucrative hawking areas would be included in this defended space. One of the main reasons for the imposition of such locational restrictions has been the influence exerted by a strong shop-owner lobby. As retail areas in the CBD expand over time, street-traders are attracted to the formal shopping areas rich with possible customers. Clearly, the owners of these retail outlets see the street-traders as a potential threat and consequently lobby local authorities for their removal. Rogerson and Hart, for example, argue that in Johannesburg, the area of defended space has covered most of the CBD, and has, in fact, been expanded from time to time as the CBD has developed in size.

A further locational anti-hawker mechanism has been the establishment of fixed trading areas for hawking. In areas where these pitches have been established, hawkers are supposed to contain their activities to these areas. In Pietermaritzburg, local authorities identified seven potential sites for such

areas. The first of these areas was set up in mid-1989 in the Retief Street bus terminus area, a busy site with an existing hawker presence.<sup>8</sup> The effectiveness of these schemes, however, is questionable. The Retief street complex has, in fact, failed and has been demolished. A possible reason for this is that, in a similar way to their Johannesburg counterparts, the Pietermaritzburg local authorities are also faced by an active anti-street-trader lobby. As a result, the areas that they allocated towards street-trading, have not always been the most lucrative ones, being situated far enough away from the major retailing areas of town to satisfy shop owners.

Apart from these locational restrictions, local authorities have also imposed a number of structural controls to curtail the expansion of street-trading. The selective granting of licenses is the most important of these structural mechanisms. Rogerson and Hart contend that "with their activities perceived as dysfunctional appendages to urban economies, licensing of Black hawkers in the CBDs of the metropolitan areas historically has been severely restricted."<sup>9</sup>

The granting of licenses to hawkers has usually been a highly subjective affair on the part of licensing officials. Often racial and other prejudices were reflected in the by-laws. Tomaselli, commenting on anti-hawking policies in Johannesburg, points out that hawkers were often made scapegoats for many criminal activities and were projected as being unhygienic and

infested but that generally "the continued dislike of hawkers and street-traders hinged upon racial and class prejudice. The city councillors, who associated with people of their own class, the shopkeepers, merchants and mining officials, tended to reflect their views".<sup>10</sup>

In addition to licensing constraints, further structural restrictions were imposed on hawkers. In many municipal by-laws, particularly those containing 'move-on' regulations, hawkers are regarded as 'itinerant' and are thus required to be constantly mobile. Depending on the exact nature of the by-laws street-traders are required to move their operations on a regular basis and are prohibited from trading within a certain distance of formal businesses.

Clearly then, local by-laws have not always kept up with the changes brought about by reform at the national legislation level. The recent *Businesses Act* (1991) however, represents a bold step forward by compelling Provincial and Local Authorities to bring their policies in line with national shifts.

Hesketh, in a 1991 review of policy changes towards small businesses, raises an important point about the direction of causality when it comes to new policy and legislation. She maintains that it is evident that policy change is to a large extent driven by the degree of economic activity.



In many instances, she contends, changes in legislation legitimise the existing economic activity and are "a de facto recognition of what is happening in the economy".<sup>11</sup> Laws that cannot be applied are changed. This is important, she argues as [n]aturally, the removal of barriers provides greater stimulus to business activity but, perhaps more important, informal or illegitimate activity is decriminalised, and there is less scope for bribery and corruption. Entrepreneurs are also not distracted from seeking business opportunities by having to avoid the risk of prosecution.<sup>12</sup> It is in this light that one must view the new *Business Act*.

The *Businesses Act* of 1991, as published in the Government Gazette dated 24 May 1991, goes a long way towards sweeping aside outdated municipal restrictions on informal economic activity. The new Act broke new ground in that, instead of granting the Provincial Administrator and his designated local authorities the power to issue trading licences at their discretion, it effectively side-steps the local government level by streamlining the requirements that informal operators need to fulfil before they are allowed to trade.

The Act departs from previous legislation in that, instead of determining areas where traders may not trade, it explicitly cites locations where local government restrictions are not allowed to be imposed on trade. For example, move-on regulations, and defended space areas are effectively abolished.

These provisions, while being good news for informal traders are not without their problems. By removing these restrictive options from local authorities, central government is directly interfering with the autonomy of local authorities to control activities which, up until recently, fell under their jurisdiction.

The loss of this autonomy has two consequences for local authorities. Firstly, it means that revenue generated from the granting of licenses is now lost. Secondly, it erodes the ability of local authorities to control and limit the activities of the informal sector.

The scrapping of these provisions is subject to a number of conditions, however. Street vendors, peddlers and hawkers continue to be prohibited from trading in certain areas in accordance with legislation such as the Road Traffic Act, 1989 which forbids trading outside state buildings and local authorities, churches, and monuments.

Essentially, the above provisions of the Act are binding throughout the country and, unlike in the past, are not subject to the interpretation and regulation by the Provincial Administrator. This legislation, however, does not cut out local level authorities completely. The Act prevents informal trading in the following areas, but in the case of these provisions it

empowers the Administrator's designated Local Authorities to apply penal, differential and exempting provisions as may be deemed necessary. These restricted areas are:

on a verge so defined contiguous to a building in which business is being carried on by any person who sells goods of the same or similar nature as goods sold by the street vendor, peddler or hawker concerned, without the consent of that person;

on that half of a public road contiguous to a building used for residential purposes, if the owner or person in control or any occupier of the building objects thereto;

in a garden or park commonly used by the public or to which the public has the right of access; <sup>13</sup>

While these remaining restrictions would seem to give local authorities some means of control, they could, in fact, have the unintended effect of greatly increasing the administrative burden to be borne by local government.

Despite these remaining restrictions, it is quite evident that the whole terrain of anti-hawker policies has changed dramatically. The almost absurd limitations on time spent in an area and the move-on type regulations have effectively been abolished. In addition to this, local authorities no longer have the power to restrict, by withholding licences, the activities of informal traders. Traders no longer have to contend with a maze of regulations located in various by-laws. The *Businesses Act* is

clear in determining where no restrictions may be imposed. This is particularly important considering the low levels of literacy and access to legal support among informal workers. Voila!! All is well in informal sector policy land!! Not so. By simply removing some of the worst legislation, one does not necessarily make good policy. In fact, all it really does in this instances is create a situation where there is little or no policy at all.

This is particularly true of the situation in Natal to date. In this province, there has been a great deal of resistance to the Act on the part of the Natal Municipal Association (NMA) which represents virtually all of the local authorities at present functioning in Natal. These local authorities, concerned that their decision making power over local affairs was being eroded, have resisted the Act at various levels.<sup>14</sup> A consequence of this pressure is that the Provincial Administrator has taken the position of not exercising his right to make regulations for the province in line with the new Act. By March 1994, legislation controlling the informal sector in Natal was still in a state of limbo with the *Businesses Act* being in place, but with the Administrator not exercising his legal authority under the Act. Consequently street-trading and other informal activity has been regulated by other by-laws such as those controlling the sale of foodstuffs and traffic regulations. Mrs Anne Dominy, the Pietermaritzburg licensing officer, has, however, confirmed that as of the 1st of April 1994, the Administrator will begin to exercise his right to draft Provincial regulations within the

framework of the Act.<sup>15</sup> It is worth emphasising at this point that this delay has been effected through political and bureaucratic pressure from Local Authorities in Natal.

Despite the delay, the opportunities afforded by legislative reforms of this type are undoubtedly a step in the right direction and will clearly enable some informal operators, including street-traders who are particularly prone to locational restrictions, to improve their lot. But in the majority of cases additional measures are necessary to compensate for the historical effects of the old legislation. It is to these measures that I now turn.

As has become clear in this chapter thus far, public policy towards the informal sector in South Africa has been located almost entirely in legislation. This is a particularly narrow view of policy. Almost as important as analysing legislation towards the sector, is the need to identify where gaps exist in public policy towards the informal economic activity.

Although the concluding chapters of the thesis are concerned with developing a comprehensive , integrated policy framework, it is useful here, without preempting that discussion, to identify some of the broad areas where omissions have been made in the development of informal sector policy.

In most cases it is true that simply removing legislation at this juncture will not have the same effect as never having introduced it in the first place. Dulcie Krige, citing the instance of KwaMashu in Natal, argues that:

Small traders and petty-manufacturers, who could perhaps have participated on a competitive basis in the early stage of economic development, are quite unable now to compete efficiently with those entrenched in the monopoly level of capitalism. In a sense, therefore, they may have 'missed the boat' and may never be able to redress the imbalance. <sup>16</sup>

It is possible to isolate two priorities when looking at development strategies for the informal sector. Firstly, there exists a need to expand the sector itself quantitatively in order to absorb as many of the vast number of unemployed as possible. Secondly, it is necessary to improve the quality of employment in the sector. There exists an inherent tension between these two priorities, as an emphasis on one could mean a trade-off of the other. This does not necessarily have to be the case. Under the correct circumstances it is possible for the sector to expand and for the quality of employment to improve. By simply removing restrictive legislation, however, it is likely that a large, short term, influx of new traders will occur. These new traders will be entering the market as unskilled, unfinanced and largely unwelcome intruders. Given their shortage of skills and capital, these newcomers will only be able to compete at the lowest levels

where the trading is a means of survival rather than a profit making enterprise. Saturation at this level will soon occur and, if anything, the quality of employment in the sector will fall. Competition over spatial trading locality is likely to occur possibly resulting in conflict. The ongoing taxi violence in the Western Cape is an example of this. In short, without addressing the skills and capital shortage among would-be and existing traders, uncontrolled entry into the sector will not have any significant long-term effect in alleviating unemployment, and the quality of employment in the sector is more likely to deteriorate than improve.

A further problem that needs to be borne in mind while attempting to formulate appropriate policy towards the informal sector is the influence that a recessionary economy is likely to have on this sector. Krige, fairly controversially, contends that

If formal sector black incomes decline because of increased unemployment, and there is no alternative market (such as direct sales to whites, or subcontracting to the formal sector, or informal sector sales forming an increasing share of sales in the township) there can be no expansion of the informal sector. <sup>17</sup>

She goes further by arguing that simple deregulation of the informal sector will have only a limited impact in a recessionary economy such as the one that we currently find ourselves in. Rogerson mainly supports this view. He does, however maintain

that a continuing decline in the formal economy forces many of the poor to turn to the informal sector as a way of weathering a recessionary climate. Despite this, he argues that real informal sector growth is dependent on formal sector expansion. Apart from direct linkages between the formal and informal sectors, for example in the case of informal hawkers who have become integrated into formal sector networks as dependent sellers, there exists an indirect multiplier effect whereby

the generation of new jobs in South Africa's formal economy would have a positive spin-off impact in terms of creating a range of additional or expanded income opportunities for informal hawkers, backyard repairers or shebeeners.<sup>18</sup>

It becomes clear that, while the informal sector provides an alternative refuge for those workers excluded from formal sector employment, much informal sector growth reflects, and is reliant on, expansion taking place in the formal sector. Having said this, it would be an error to assume that there are no niches of employment potential that informal workers could occupy despite a recessionary economy. In fact, the legacy of restrictive legislation in this country makes it likely that such pockets of opportunity exist and will become increasingly viable as this legislation is changed. Clearly, however, this will be merely a short-term effect, as once these niches are exploited and saturated, one will have to look at additional measures to stimulate the employment generating capacity of the sector.



A third neglected policy area affecting the growth potential of the informal sector that falls outside the ambit of formal legislative changes is the lack of a financial infrastructure. A study of street-traders in the Pietermaritzburg CBD indicates that venture capital and operating loans tend to be raised outside formal financial institutions, with friends and family being the most popular source. In addition to this, it was found that little over 8% of those interviewed enjoyed a line of credit from their suppliers. <sup>19</sup>

In summary, three broad areas, other than legislation and regulation, have been identified as impeding the growth potential of the informal sector.

- Firstly, it is clear that historical impediments, including a plethora of legislation restricting freedom of movement and freedom to trade, as well as an inequitable education system, has led to an acute skills shortage among the poorer sections of the Black community. Simply scotching legislation now will clearly not have the same effect as never having introduced it in the first instance.
- Secondly, due to extensive direct and indirect linkages with the formal sector, the effects of the current recessionary economic climate are likely to further inhibit the growth potential of the informal sector, although in the short term there may be a limited, but exhaustible, capacity for the sector to expand into niches that may arise as a result of deregulation.

- Thirdly, the sector as a whole is faced with enormous obstacles on the financial terrain, with access to venture capital, operating finance and general credit being almost non-existent.

These three problem areas need to be addressed, and policy measures implemented, in order to extract the full benefit of the deregulative measures that have occurred. Appropriate policy formulation, therefore, needs to be sensitive to issues other than simply eliminating bad, or outdated legislation.

In this chapter much of the discussion has focused on the level of regulation, showing a definite shift, with the introduction of the *Businesses Act*, of legislative powers over the informal sector from local government to the centre. The following chapter takes the investigation to the local level with an examination and analysis of the effects of deregulation in Pietermaritzburg.

## Notes

- <sup>1</sup> Bromley, R., 1979: *The Urban Informal Sector: Critical Perspectives on Employment and Housing Policies*, Pergamon: Oxford.
- <sup>2</sup> Rogerson, C.M. and Hart, D.M., 1988: *Hawkers in Urban South Africa: Contemporary Planning and Policy*, Report prepared for the Friedrich - Ebert Stiftung: Bonn.
- <sup>3</sup> Tager, L., 1988: *Deregulation in the South African Context: The Dismantling of Socio-Economic Apartheid*, Law Review Project University of the Witwatersrand: Johannesburg.
- <sup>4</sup> Abedian, I. and Standish B., 1989: *Job Creation and Economic Development in South Africa*, HSRC: Pretoria.
- <sup>5</sup> Tager, L., 1988: *Deregulation in the South African Context: The Dismantling of Socio-Economic Apartheid*, Law Review Project University of the Witwatersrand: Johannesburg. p. 5.
- <sup>6</sup> Tager, L., 1988: *Deregulation in the South African Context: The Dismantling of Socio-Economic Apartheid*, Law Review Project University of the Witwatersrand: Johannesburg. p. 10.
- <sup>7</sup> Rogerson, C.M. and Hart, D.M., 1988: *Hawkers in Urban South Africa: Contemporary Planning and Policy*, Report prepared for the Friedrich - Ebert Stiftung: Bonn. p. 15.
- <sup>8</sup> See Appendix 2
- <sup>9</sup> Rogerson, C.M. and Hart, D.M., 1988: *Hawkers in Urban South Africa: Contemporary Planning and Policy*, Report prepared for the Friedrich - Ebert Stiftung: Bonn. p. 17.
- <sup>10</sup> Tomaselli, R., 1983: 'Indian Flower Sellers of Johannesburg: A History of People on the Street' in Bozzoli, B., (ed) *Town and Countryside in the Transvaal*, Ravan, Johannesburg, p. 218.
- <sup>11</sup> Hesketh, M., 1991: *The Effect of Recent Policy Changes on Small Business in South Africa*, Department of Accounting and Finance - University of Natal, Durban, p. 16.
- <sup>12</sup> Hesketh, M., 1991: *The Effect of Recent Policy Changes on Small Business in South Africa*, Department of Accounting and Finance - University of Natal, Durban, p. 16.
- <sup>13</sup> Government Gazette, 24 May 1991, pg 60.

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<sup>14</sup> Perhaps the most important challenge in this regard was the NMA's memorandum presented to the Joint Parliamentary Committee to outline their objection to the legislation in February 1991.

<sup>15</sup> Telephonic interview conducted with Mrs Anne Dominy, Pietermaritzburg Licensing Officer, 24 February 1994.

<sup>16</sup> Krige, D.J., 1987: 'The prospects for informal small businesses in KwaMashu', working paper no 17, Development Studies Unit - University of Natal, Durban, p. 25.

<sup>17</sup> Krige, D.J., 1987: 'The prospects for informal small businesses in KwaMashu', working paper no 17, Development Studies Unit - University of Natal, Durban, p. 27.

<sup>18</sup> Rogerson, C.M., 1988: 'Recession and the informal sector' in *Development Southern Africa*, (5)1, p. 90.

<sup>19</sup> Mosdell, T., 1990: 'The Retief street project: street trading in the Pietermaritzburg Central Business District' unpublished working paper, Development Studies Research Group - University of Natal, Pietermaritzburg, p. 21.

CHAPTER 5  
STREET-TRADING IN PIETERMARITZBURG:  
THE AMBIGUITIES OF DEREGULATION

As illustrated in the previous chapter, the late 1980s and early 1990s have witnessed a wave of deregulation in the South African economy. Many of the restrictions controlling the informal sector have been amended or have fallen away completely. I shall now explore some of the paradoxes associated with these developments in the context of street-trading in Pietermaritzburg.

Pietermaritzburg was chosen as the case study area for a number of reasons. Firstly, it is a city that has a fairly visible street-trading population, particularly in areas around transport nodes. Secondly, the street-traders in the area are fairly well organised with a hawkers and vendors association operating in the area. This meant that it was relatively easy to gain access to the population for survey purposes. Thirdly, I was based in Pietermaritzburg, at the Development Studies Research Group (DSRG) at the University of Natal during the survey period. An unpublished DSRG working paper outlining the key findings of the survey is appended at the end of this thesis.

Despite the easing of regulations on licensing and trading location, hawkers in Pietermaritzburg still find their operations

restricted. Authority over street-traders, previously wielded by municipal officials, appears to have been largely transferred to so-called "representatives" of the street-traders.

This chapter will show that, through a complex web of patronage and power relations, the formal business community and municipal authorities are still in a position to exercise substantial indirect social and economic control over hawking. In short, the apparatus of control has metamorphosed from a highly regulated system backed up by direct coercive police action, to one of indirect control within which street-traders are forced into a position whereby they are forced to "police" themselves. The interests of the public and private sectors in curtailing hawking are thus served, but their representatives have managed to free themselves of the unpleasant, expensive, and often difficult task of directly exercising this control.

The broad objective here is to explore power relations between street-trading activity and other sectors of Pietermaritzburg's urban economy. The primary empirical component of the study is drawn from a sample survey of a street-trading community in the Retief Street area of the Pietermaritzburg CBD.<sup>1</sup> The intention was to survey the entire population of street-traders operating in the area over a single day, Tuesday 25 July 1989. The motive for conducting the study in this way was that, given the fluid nature of the trade, many hawkers could move from area to area on a daily basis. Administering a survey over more

than a day would therefore be inappropriate in that the population composition potentially could vary. A team of ten fieldworkers was employed to administer questionnaire schedules to the 98 street-traders found operating in the area. <sup>2</sup>

By the end of the day the fieldworkers were able to administer 76 schedules. Of these they encountered four refusals. The survey was limited to the street-trading community. The study did not involve other elements of informal economic activity such as pirate taxi operations, although the area is an active taxi stopping area. Likewise, it did not examine lumpen-proletarian activities such as begging, prostitution and theft, despite the prevalence of such activities in the area. ✓

The Retief Street area was selected for a number of reasons. <sup>3</sup> Firstly, the area supports a large number of street-traders attracted to the relatively busy passing trade associated with the Retief Street bus terminus. Secondly, the area is fairly compact, and as such it lends itself to a one-day survey, the advantages of which have been outlined above. Thirdly, the area is one of seven zones in which the City Council is considering establishing informal market complexes. Indeed, an area adjacent to the bus terminus was the first of such planned sites. A market was erected but has subsequently been demolished partly to make way for a police station, and partly because the initiative failed.

To supplement the sample survey, information has also been gathered through a series of interviews. Detailed discussions have been held with various key actors in the Siphamandla Hawkers and Vendors Association, as well as with employees of the City Council, including municipal planners and engineers. Many of those interviewed sit on the Street-trading Working Group which was set up in 1988 by the City Council to look specifically into the question of street-trading related issues in the city. The Working Group is, in a sense, a local negotiating forum. Membership is composed of representatives from commerce, the local authorities and representative of the street-traders. A comprehensive literature search, including press clippings, has also supplemented the survey.

Various striking facts were revealed by the survey of Retief Street traders. Incomes tend to be exceptionally low, with 43 per cent of the hawkers claiming to earn less than R100 per month from trading. In a more recent survey, conducted by McCarthy, Mosdell and Sapsford in 1992, the average monthly income for street-traders was R258,50 - figures significantly below the poverty datum line.<sup>4</sup> In terms of the longevity of involvement in the sector, the average street-trader had been operating for approximately fourteen years at much the same income in real terms. This suggests that hawking is a survival struggle rather than a fledgling capitalist stepping-stone to the formal sector. Starkly, all but one of the hawkers in the area



were women and many were the sole or major provider for large families.

Very few traders had any access to the skills and capital required to expand beyond pavement trading. Over half of the hawkers were educated to a level of Standard 2 or less with only one respondent indicating that she had a Standard Ten certificate. Over a third of the respondents had no formal schooling whatsoever. While almost 40 percent of the traders needed to borrow to set up business, only one hawker did this through a formal lending institution. The rest borrowed from friends or family. <sup>5</sup>

The study did reveal, however, that since 1988, the traders have been spared the hardship of the large fines and occasional nights in jail that they experienced prior to the current phase of deregulation. Anne Dominy, the local licensing officer confirmed in February 1994 that no hawkers had been charged with trading illegally in recent years. <sup>6</sup>

Two distinct types of traders operate in the Retief Street area, those selling foodstuffs and those selling clothing. While similar in appearance and trading side-by-side, these hawkers differ markedly, illustrating, once again, the heterogeneous nature of the informal sector, even at this micro-level. Clothing sellers earn significantly less, and they tend to acquire their goods from informal sources such as jumble sales and door-to-door

begging. Consequently they are less dependent for stock on formal business than are food sellers. The income mode for food sellers lies in the distribution R100 - R200 per month, while that for clothing sellers lies in the R0 - R100 range.

The former were generally more supportive of the Siphamandla Hawkers and Vendors Association, a local street-trading lobby group set up by two local businessmen, which had on occasion, liaised with produce boards and the Pietermaritzburg Chamber of Commerce. In contrast, the clothing sellers appeared to be reluctant members of the Association and had, at times, threatened to split from the organisation. As I will now illustrate, in recent years, this Association has played a key role in policy developments towards the informal sector locally.

As previously mentioned, in the period since the introduction of the *Businesses Act* in 1991 to the present, the policy situation in Natal has been in limbo. The Provincial Administrator, under pressure from the Natal Municipal Association (NMA), has not exercised his statutory powers to draft specific regulation under the broad framework of the Act. Consequently, Pietermaritzburg has effectively been without a formal street-trading policy.

In this period, the only formal, legislative means for controlling street-trading in the city has been via the use of

by-laws such as those controlling traffic and the preparation of foodstuffs.

The shift in policy on the part of Pietermaritzburg authorities towards street-trading is, therefore still a *de facto* development and the relevant provincial regulations and local by-laws have not been officially amended. <sup>7</sup>

Nonetheless, certain significant changes have already taken place in Pietermaritzburg. Prior to 1987, all unlicensed street-traders in the city were subject to a great deal of official harassment. Rogerson notes the following harsh restrictions imposed on hawkers: ✓

Licensees were permitted to operate for an annual fee (in the case of 'general hawking') of R82,50 with use of a vehicle, and R38,50 without a vehicle. Hawking was moderated through the Natal provincial ordinance which stipulated, inter alia, the imperative for a storeroom, 15-minute move-on regulations and prohibition of sale within 100 meters of any fixed business premises. Under these circumstances the licensed community of hawkers was paralleled by the proliferation of unlicensed hawkers unable to match the costs and 'standards' attached to legal status. <sup>8</sup>

As a result of this, regular arrests and fines became a way of life for most street-traders. This has stopped but, more recently, however, local authorities have attempted to "contract

out" the responsibility of exercising authority over hawking and vending in the city.

In 1987, the Pietermaritzburg street-traders formed a special interest group called the Siphamandla Hawkers and Vendors Association in order to make representation to the City Council to discuss their conditions of trade and official harassment. Local officials, including the Mayor, responded promptly and began a process that would set aside certain areas for the purposes of pavement trading, based on the ZEBRA concept (ZEBRA being an acronym for Zero-Based Regulation Area). The Retief Street area surveyed is one of these areas. Part of the process had the result of decentralising power over the street-traders working in these area from the local authorities to Siphamandla. Within a year, the Council had established a Street-trading Working Group to address problems associated with street-trading in the CBD. The Working Group comprises representatives from the Council, the municipality, commerce and industry, and representatives of the street-traders. It is an important structure in that it provided continuity between the old style of exercising authority without representation and the new method, whereby some control is decentralised to the street-trader's themselves. Moreover, the Working Group ensured that municipal authorities were informed of any new street-trading developments. At the same time, the officials shielded themselves from the responsibility of dealing directly with the hawkers.

Nevertheless, conditions have improved from the street-traders' perspective. Since 1987, many of the restrictive controls governing their activities have been relaxed, and there has been a general moratorium on arrests and prosecutions of unlicensed hawkers. License applicants, in the case of food sellers, have been allowed to trade while their applications were being considered.<sup>9</sup> In addition, the Street-trading Working Group initiated a scheme whereby all street-traders in Pietermaritzburg's CBD were supposed to be accommodated in seven to ten fixed trading areas. These were planned for areas where street-trading activity already existed. The aim was to build structures that would offer shelter for the traders in areas where there is a good passing trade. The first phase of the project, in Retief Street, attracted funding from the Council itself, BP South Africa, Hulett Aluminium, and the Urban Foundation. Despite its failure, due to lack of proper consultation with the traders in the area, this initiative illustrates a willingness on the part of the local authorities and commerce to support the sector if it is properly controlled.

Overall, street-trading in the Pietermaritzburg CBD appears to be in a better position now than it was a number of years ago. Local officials have suspended their harassment of the traders and now actively support them, both by allowing hawkers to trade more freely and by making resources available for development projects such as fixed trading complexes. Furthermore, the

Council made office premises available to the hawkers' association at a very nominal rate.

The street-traders' improved legal position coupled with the fact that they require little capital to initiate and sustain their businesses suggests that this type of enterprise is fairly independent financially and is free from other sectors. The evidence gathered in the survey indicates otherwise. Hawkers are in fact directly linked to elements of the so-called "formal" sector at an economic level. While there is some isolated evidence of what Bromley and Gerry call "disguised wage-work" to the retail sector<sup>10</sup>, the starkest linkages are found by tracing the source, or commodity chain, of street-trader's goods. While 42% of those surveyed indicated that they acquire their goods through informal means (jumble sales, door-to-door begging and from previous employers), more than 50% purchase their goods from formal enterprises (farms, markets, shops and auctioneers). One interesting fact emerges out of this particular part of the survey - food sellers are much more dependent on the formal retail sector for their goods than those selling clothes. The table below shows this quite clearly.

Table 1

SOURCE OF GOODS ACCORDING TO TYPE OF STREET-TRADER <sup>11</sup>

Source of Goods	Clothing sellers	%	Food Sellers	%	Combined	%
Formal	7	18	30	94	37	52
Informal	29	74	1	3	30	42
Not Given	3	8	1	3	4	6
Total	39	100	32	100	71	100

Clothing sellers are generally not inclined to enter the formal economy directly, even when it comes to acquiring goods to sell. Food sellers on the other hand look to formal retail outlets as their main source of goods with all but one purchasing their goods from formal sources. A chi-square test to determine whether the two types of traders (food and non-food) differ significantly in where they acquire their goods (formal or informal sources) proved to be highly positive. <sup>12</sup>

Food sellers, due to the short life of their produce, are forced to pay relatively high prices for small amounts of stock. Their suppliers are thus assured of a constant demand for their goods, and at the same time are able to charge inflated prices. The hawkers, having little access to lock-up facilities and cold storage, are trapped into buying these small, expensive quantities. Furthermore, most of the traders have no means of transport and are thus unable to "shop around" for better prices. Clearly at this level many of the street-traders in Retief Street, especially the food sellers, are dependent on the formal

retail sector in the area. These nearby shop owners, therefore, have an interest in street-trading as they effectively act as wholesalers to the hawkers.

Although these food traders consider themselves to be truly self-employed, they are in fact dependent workers in that they are reliant on what Bromley and Gerry call an "oligopolistic supply of raw materials".<sup>13</sup> The clothing sellers, on the other hand, are generally not dependent on any monopolistic or oligopolistic supply of goods, and as such can be considered to be truly self-employed.

May and Stavrou distinguish between backward and forward linkages pointing out that

[b]ackward and Forward linkages indicate the extent to which the informal sector is integrated into the national economy and particularly its relationship to the formal sector. Backward linkages show the extent to which the informal sector obtains its inputs from beyond its border while forward linkages show the markets beyond its borders.<sup>14</sup>

The survey, therefore, suggests that while backward linkages exist, very few direct forward linkages exist between the traders and the formal sector. In addition, despite the *prima facie* easing of some restrictions on the traders, many regulations still remain; it is, in fact, only the machinery of enforcing them that has changed.



A close examination of the Siphamandla Hawkers and Vendors Association, and its links to the Street-trading Working Group, reveals that, in some ways, not much has altered since the "pre-deregulation" era. The Association, at times, commanded considerable patronage power, boasting a membership of 1671 by July 1989. Members were drawn from seven regions in Natal, with just over three hundred originating in the Pietermaritzburg CBD. The *modus operandi* of the Association was to approach local authorities with a proposal that, in exchange for an ending of official harassment, the Association would undertake to ensure that hawking and vending was controlled in a particular region. This patronage relationship was beneficial to both the local authorities and Siphamandla. On the one hand, the municipality was no longer forced to spend as much time and money controlling street-trading and, at the same time, their hawking policy was seen to be located firmly within the ethic of deregulation. On the other hand, the Association earned R7.50 monthly subscription from each of its over 1500 hawker-members. However, the hawkers found themselves in the unenviable position of choosing between paying the Association's subscription fees or paying regular fines and/or losing valuable time in jail. Furthermore, while Siphamandla promised to use their subscription money in the hawkers' interests, it would appear that the bulk of it is was devoted to maintaining the Association's head office and full-time staff. The hawkers were trapped, feeling that they could not effectively challenge Siphamandla because they relied on the

organisation for protection against official harassment and prosecution.

The type of control that Siphamandla exercised over the hawkers is very similar in its aims to those measures adopted by local authorities in the past. Firstly, the Association ensured that all newcomers to the trade were screened by Siphamandla. While it must be granted that, for the period that Siphamandla was influential, more traders were allowed to operate. This potential "closed-shop" mechanism ensured that over saturation of the area did not occur. This measure found favour with existing members as it limited unwanted competition. Restricting new hawkers wishing to enter the trade in this way essentially replaced one of the functions of licensing and at the same time strengthened Siphamandla's support among existing hawkers. The R7.50 monthly subscription and its accompanying membership card essentially replaced the old license and license fee. Furthermore, in most areas where the Association operated, the traders were required, by the organisation, to trade in specific zones only. In the Retief Street area where the first of seven fixed trading areas was built by the City Council and private enterprise, the traders were supposed to operate from the stalls provided. Siphamandla, through its involvement in the Street-trading Working Group, had been involved in the negotiations for the fixed trading areas in Pietermaritzburg. Hawkers not trading in the areas demarcated by the Association faced the prospect of "old style" harassment from the authorities. While prosecutions

had been temporarily suspended in the CBD, Mr Brian Bassett, then the chairman of the Street-trading Working Group, had indicated that once all the fixed trading areas were operational, prosecution of those not trading in these areas would resume.<sup>15</sup> The idea was that members of Siphamandla could operate in these areas free, but other traders would be required to pay a fee.<sup>16</sup> This was an effective way of encouraging all street-traders to join the Association.

In fairness to Siphamandla, in order to maintain its strong patron-client relationship with the hawkers, it did offer a little more than simply protection. The Association negotiated directly with the Banana Board in order to provide some of the hawkers with a cheaper source of goods. But while this service eased the trader's dependence on fruit shops and markets which charge inflated prices, it did make them more dependent on the Association. In the case of non-food selling hawkers this service did not benefit them. In fact, it is interesting to note that the most serious challenge to the Association's authority came from the non-food selling traders. It appears as though the traders who benefited least from the Association were those most inclined to question the authority of Siphamandla.

While the hawkers' Association became the instrument whereby power was directly exercised over street-traders, it is not only Siphamandla that is interested in the manner in which this particular economic group operates. Both the public sector

and the business sector have an interest in determining the way that street-traders operate. Public officials remain intent on maintaining and projecting the correct image of a successfully developing city. For example, City Councillor Alva-Wright, while addressing a group of street-traders, commented then that

I wouldn't want to work in such conditions (referring to the Retief East Street area) nor would I let my mother work like that. <sup>17</sup>

From an official point of view, street-traders operating from picturesque markets are more acceptable than those selling from sprawling makeshift stalls on the pavements. Indeed, colourful fixed trading sites may even attract tourism and additional business to the area. The business community's concern is that street-trading should not pose an economic threat to their own interests. Small formal businesses operating in areas where hawkers trade are particularly concerned that hawkers will undercut their trade by offering cheaper goods permitted by lower overhead costs. At the same time, however, some of these shops rely on the hawkers' trade. In the final analysis, therefore, an orderly, controlled hawking community is clearly the ideal as far as the formal business sector is concerned. ✓

It becomes evident that, until recently, both formal business and the public sector still held considerable influence when it came to exercising control over street-traders. Siphamandla's link to the Council via the Street-trading Working

Group was important in this respect as it was in this forum that issues such as fixed trading sites were discussed. The formal business sector and the Council have indicated a willingness to invest capital to finance such projects. In response, Siphamandla was required to conform to some extent in order to maintain this crucial financial source. For example, the Council made premises available at subsidised rates to house Siphamandla's administration. In the event of the Association's policy seriously conflicting with that of the Council, there was always the threat that this kind of aid could be discontinued.

Although the Council and municipal authorities, at a formal level, are steering along the path of deregulation when it comes to policy on the informal sector by adhering to the *Businesses Act*, it is clear that street-traders in Pietermaritzburg have been subject to a host of restrictions. The difference is that local authorities have, until recently, successfully decentralised some of their responsibility to the street-traders themselves. By undertaking to end official harassment, and by providing inexpensive office accommodation and access to development finance, the local authorities co-opted the leadership of Siphamandla in order to ensure that the street-traders were appropriately controlled. Siphamandla, in turn, was able to extend this patronage to its membership in exchange for a membership fee below the average amount that hawkers were accustomed to paying in fines. In a sense, authority and control

over street-traders in urban Pietermaritzburg was, for a period, "contracted out" and rested in the hands of Siphamandla.

However, in recent months, things have begun to change. At the local level, the power and influence of Siphamandla has eroded considerably. Allegations, on the part of hawkers, of mismanagement and fraud among the Association's leadership, has led to a massive exodus of membership. In addition to this, competing Associations, including a splinter group of Siphamandla called Masakhane, have begun to emerge.

Consequently, the efficacy of the Street Trading Working Group has diminished. Dominy has noticed that organised street-trading is currently highly fractionalised and locality based. While a representative of Mr Bassett's office confirmed that the Working Group still exists <sup>18</sup>, Dominy points out that most of the liaising between local authorities and the traders now occurs informally through the licensing office. <sup>19</sup>

At the Provincial level, as outlined in the previous chapter, The Natal Administrator has decided, from 1 April 1994, to begin to exercise his power to draft regulations in accordance with the *Business Act*. Although local authorities, such as Pietermaritzburg, will still fall under the influence of the Act, these regulations will allow new local by-laws and essentially a new local policy towards the informal sector to be developed.

In many ways, these developments give decision makers in Pietermaritzburg a clean slate to develop appropriate policy towards the informal sector although clearly bureaucratic obfuscation may prove to remain an obstacle. Many useful lessons can be drawn from the experience of the last few years. Although, due to a variety of reasons, efforts to secure proper informal sector representation on decision making structures have not succeeded, it is clear that without such representation, policies are doomed to failure.

The mistake that the Pietermaritzburg local authorities made was treating this representation as a quick fix solution to their policing and control problems. Consequently a 'suitable' group claiming to represent traders was simply co-opted. Steps will need to be taken to ensure that future informal sector participants in such structures are more representative of their constituencies. An appropriate local-level forum should view policy towards the sector not as a mechanism to control, but rather as a management and development opportunity where issues such as skills training and access to finance are addressed.

## Notes

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<sup>1</sup> See Appendices 1 and 2.

<sup>2</sup> This count of 98 traders corresponds exactly with the number of licence applications made from the Retief Street area to the licensing officer. Pietermaritzburg City Council memo dated 5 July 1988.

<sup>3</sup> The area surveyed includes the area of Retief Street that lies between Boom and Church Streets. It also includes Berg Street between James and Retief Streets. The Retief Street bus terminus is thus included and forms the central point of the area surveyed. For a map of the survey area see Appendix 2.

<sup>4</sup> McCarthy, J.J., Mosdell, T., and Sapsford, P., 1992: *Street Trading in Pietermaritzburg*, Department of Geography - University of Natal, Pietermaritzburg, p. 5.

<sup>5</sup> For more detailed information on incomes, education, household structure, types of goods traded, hours worked etc. refer to Appendix 1.

<sup>6</sup> Telephonic interview with Anne Dominy, Pietermaritzburg Licensing Officer, 24 February 1994.

<sup>7</sup> Telephonic interview with Anne Dominy, Pietermaritzburg Licensing Officer, 24 February 1994.

<sup>8</sup> Hart, D.M. and Rogerson, C.M., 1989: 'Towards accomodationist planning in South Africa's secondary centres: the case of hawker deregulation' in *Development South Africa*, 6, p. 169.

<sup>9</sup> Telephonic interview with Anne Dominy, Pietermaritzburg Licensing Officer, 24 February 1994.

<sup>10</sup> Bromley, R. and Gerry, C., 1979: 'Who are the casual poor?' in Bromley, R. and Gerry, C. (eds.), *Casual Work and Poverty in Third World Cities*, Wiley, Chichester, p. 9.

<sup>11</sup> Formal sources here refer to sources such as wholesalers, markets, shops, auctioneers and farms. Informal sources, on the other hand refers to sources such as jumble sales, door-to-door collections and donations from former employers.

<sup>12</sup> Ignoring the instances where no source of goods were given, the test yielded a value of 40.27 with one degree of freedom. This is significant to the 0.1% level.



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<sup>13</sup> Bromley, R. and Gerry, C., 1979: 'Who are the casual poor?' in Bromley, R. and Gerry, C. (eds.), *Casual Work and Poverty in Third World Cities*, Wiley, Chichester, p. 6.

<sup>14</sup> J.D. May and S.E. Stavrou, 1989: *The Informal Sector: socio-economic dynamics and growth in the greater Durban metropolitan region*, Rural Urban Studies Unit, Durban, p. 11.

<sup>15</sup> Interview with Brian Bassett, then the chairperson of the Street trading Working Group, on 24 May 1989.

<sup>16</sup> It is not clear what this fee is or to whom it gets paid. The Echo - 20 July 1989 reports " Explaining some of the benefits of membership he (Mr D. Hlope - Siphamandla representative) said a new market was being built at Retief Street at which members would trade for free and non-members would pay".

<sup>17</sup> Address given to a Siphamandla meeting held in the Marian Hall in Pietermaritzburg on 14 May 1989.

<sup>18</sup> Telephonic interview with Mrs Antionette Roux, Brian Bassett's Office - City Engineers Department, Pietermaritzburg, 24 February 1994.

<sup>19</sup> Telephonic interview with Anne Dominy, Pietermaritzburg Licensing Officer, 24 February 1994.

## CHAPTER 6

### TOWARDS A POLICY FRAMEWORK

The aim of this chapter is twofold. Firstly, this section will be used to draw together and to tie down some of the key concepts that have been raised throughout the thesis. This will lead into the second aim of the chapter, namely a systematic attempt to develop an appropriate policy framework towards the informal sector.

By briefly revisiting some of the discussions contained in the thesis thus far, it is possible to begin to identify some of the key components necessary for developing an appropriate public policy model towards the informal sector as a whole.

One of the main points raised in Chapter 2 on defining the informal sector is its heterogeneous nature. A number of competing models were presented in the chapter. However, given the diversity of enterprises found within the sector, it is always possible, through illustrative examples, to find cases that do not 'fit' the definition. For example, Santos argues that enterprises falling within the 'lower circuit' of the economy are typically labour-intensive while those in the 'upper circuit' are capital-intensive.<sup>1</sup> However, it is possible that an entrepreneur skilled in a capital intensive activity like desk-top-publishing may set up an informal business specialising in drafting

curricula vitae. In addition to being capital-intensive, albeit on a small scale, the activity is also dependent on relatively specialised skills normally associated with formal sector activity. Indeed, this heterogeneity is the primary cause for the contested nature of the informal sector concept. Clearly, any policy claiming to cover the entire informal sector will need to be flexible enough to accommodate the diversity reflected in the working definition developed in this thesis.<sup>2</sup>

Similarly, notions of the nature of the urban economy differ significantly from theorist to theorist. Chapter 3 of this thesis has shown how varied these opinions are. A range of models illustrating how the informal sector relates to the broader economy has been posed. Each of these models sees the linkages between the various components of the economy in a very different way. Some writers, including Hart and the ILO, see the relationship between the informal sector and the formal economy as being mutually beneficial or, at worst, benign. This differs significantly from positions held by Petty Commodity Production theorists such as Caroline Moser who see the relationship between the formal and informal components of the economy as being unequal and oppressive, where linkages usually mean subordination and exploitation. Again, as is the case with contending definitions of the sector, specific cases can be found to support both arguments. For example, there are many instances where informal sector workers are trapped in unequal relationships with formal operators. Hawkers, trapped in unequal business

partnerships with formal shop owners through credit arrangements, are a case in point.

On the other hand, as Rogerson points out "[i]nformalisation is not always bound to situations of sheer survival, drudgery, and exploitation".<sup>3</sup> Indeed, there are numerous cases, some on a fairly macro scale, illustrating that local or regional 'economies of growth' are possible. Rogerson cites examples, illustrating that such successful informal economies exist in central Italy, Miami, and in Hong Kong.<sup>4</sup>

Simply stated, there exists a lack of consensus on the nature of linkages between the various components of the economy. This is not necessarily undesirable as it reflects, once again, the heterogeneity of the sector and shows that no single theoretical framework can accommodate all examples. Nevertheless, this makes the development of a policy framework difficult. Such a model needs to be flexible enough to incorporate this diversity.

Chapters 4 and 5 have focused on the regulatory and legislative shifts that have occurred, both in South Africa and abroad, in the informal sector. These chapters illustrate that, while being a necessary condition for the development of the informal economy, deregulation in itself is not sufficient to facilitate development. In other words, deregulation, where it occurs, needs to be complemented by other measures before any

significant development payoff is seen. As Chapter 5 has shown, deregulation does not even necessarily mean the end of restrictions on trading. In the Pietermaritzburg example, deregulation, in itself, has done very little to change the conditions of street-traders. In fact, formal deregulation in this instance has not even meant the removal of restrictions. It has simply restructured them.

It is clear that any policy model or framework based entirely on simple deregulation is bound to be inadequate in addressing the complex matrix of problems facing the urban informal sector. This thesis has shown that despite a rapid growth in informal sector activities, a suitable policy framework aimed at facilitating its development has not emerged.

It has been estimated that the South African informal sector will provide income opportunities to 4,7 million people by the turn of the century. Kirsten shows, that in 1985, one out of every four economically-active Blacks were making a living out of the informal sector.<sup>5</sup> Clearly, the sector must be seen as an important provider of job opportunities regardless of whether this employment is seen as a mere survival strategy, or whether it is viewed as a first step towards a lucrative formal career. Given the sheer number of people involved in the sector, it is crucial that appropriate policies be developed to maximise its development potential.

It is not my intention to suggest that no consideration has been given to policy proposals in areas other than regulation and legislation. Indeed, as I will illustrate shortly, a number of initiatives aimed at facilitating development of the informal sector have been undertaken in areas other than in the regulation sphere.

However, without wanting to suggest that these programmes are without merit, their effectiveness is limited by their fragmented nature. Various stakeholders in the informal sector, for example, NGOs, local authorities, the state, and even the entrepreneurs themselves, have, from time to time, come up with initiatives that they consider to be important in the development of the sector. An NGO, for example, may set up a training programme for teaching basic business skills to assist street-traders. This training, however, is wasted if other aspects of the trader's business environment are not improved. The trader will still experience difficulties obtaining working capital, and may face severe restrictions on where he or she trades. The point is that any policy framework aimed at developing the informal sector needs to adopt an holistic approach and ought to comprise an integrated set of policies aimed at setting up enabling conditions across a range of areas. Regulation and its accompanying legislation is merely one of these areas.

In order to develop such an integrated, comprehensive policy framework, it is essential to identify first what the aims

of such a policy intervention would be. This section will outline these aims before identifying key components of the policy framework. The following paragraphs go through these components systematically showing that, while important interventions have been made in each of the areas, the success of these initiatives has been limited because of their failure to take cognisance of the broader picture. Finally, the thesis will argue that by using an integrated approach towards developing the sector and by adopting an inclusive process drawing in a wide range of actors and stakeholders, the chances of facilitating meaningful development of the sector will be greatly enhanced.

In identifying the aims of policy formulation towards the urban informal sector, Rogerson maintains that two distinct faces of informalisation can be identified.<sup>6</sup> He outlines, what he calls, a 'vulnerable' component of the informal sector as opposed to the component that has the potential for real 'growth'. While he agrees that the small-scale sector must assume a key position on the future policy agenda for the South African economy generally, it must be recognised that the informal economy, as a whole, cannot be regarded as a magical cure for all South Africa's economic ills. Accordingly, he argues that informalisation of parts of the economy can be seen to have two components that require quite different policy initiatives and interventions.

On the one hand, workers in the informal sector tend to occupy far lower paying occupational niches than those found in the formal sector. Thus there is a strong correlation between poverty and informal work.<sup>7</sup> He argues that poverty within the informal economy is linked to questions of what he terms, 'vulnerability' and the existence of vulnerable groups in labour markets.<sup>8</sup>

Rogerson links this notion of 'vulnerability' by labour status to Bromley and Gerry's continuum of casual work from short-term wage-work, disguised wage-work, dependent work, to self-employment. Bromley and Birkbeck take this further by contending that:

Short-term workers are more vulnerable than permanent workers as they are not protected by legal guarantees; disguised wage-workers and dependent workers are vulnerable because they have little control over raw materials (or premises or equipment); finally the precarious self-employed endure considerable instability and insecurity, and are unprotected against loss of work opportunities through such natural and human-made distress as drought, fire accidents at work, and arbitrary closure by order of local officials.<sup>9</sup>

Hawking, or street-trading would be located in this final category.<sup>10</sup>

On the other hand Rogerson notes a second face of informalisation. He argues that informalisation is not always bound by situations of "sheer survival, drudgery, and



exploitation".<sup>11</sup> He argues that there are various examples where successful economies of growth have developed where the informal economy has achieved greater success even than the formal sector. He cites three examples where this has occurred although he does acknowledge that these are somewhat exceptional cases.

In central Italy, a network of high-tech, high fashion producers has developed. Similarly, in Miami, a Cuban enclave economy of informal entrepreneurs has emerged. In Hong Kong an informal export economy based on networks of informal producers has successfully evolved.<sup>12</sup> The legality of these economies is, however, questionable. All three of Rogerson's examples exist in areas of successful organised crime networks.

Nevertheless, Rogerson maintains that these successful informal economies of growth all share a number of common features that are vital to policy formulation. Firstly, these economies have been able to break the trend in the informal sector and have ventured into high-tech and high income products. Secondly, also bucking the trend, these economies are able to go beyond simply supplying a local market and have expanded into export activities. Thirdly, these enterprises are relatively independent businesses free from exploitative subcontracting practices. Fourthly, these successful businesses evolved in areas where a strong business culture exists. Fifthly, informal businesses flourish in environments where complementary rather than oppositional competition exists. Finally, in each successful

instance, the state has played a role - not only by merely tolerating the sector, but also by instituting proactive policy measures.<sup>13</sup>

It would seem that Rogerson here concurs with Gerry's argument raised in Chapter 3 that, in general, most petty producers will remain trapped in "spurious forms of production" without much chance of achieving the lucrative returns associated with the formal sector. In a minority of cases, however, Gerry concedes that some informal enterprises will be promoted to successful petty capitalist forms of production where lucrative niches are exploited.<sup>14</sup>

Given these two possible outcomes of informal sector activity, it stands to reason that a differentiated policy framework ought to be advanced. Clearly, one does not want to fall into the trap of designing policies that will assign certain components of the informal sector to a life of drudgery and poverty, while allowing others to advance to prosperity. King makes a similar point in a discussion on capacity building for the informal sector. He asserts that "[t]raining for the informal sector must not be interpreted as training for containment within the sector."<sup>15</sup>

However, Rogerson is correct in his position that different types of enterprises can expect very different outcomes. In an attempt to incorporate policy designed to assist both the

vulnerable components of the informal economy and those enterprises that have the potential to develop into successful economies of growth, I have developed a policy framework that is best illustrated in a matrix.

Table 1  
Integrated Policy Matrix

	Policy Components			
Vulnerable	Deregulation	Training	Financial measures	Technical assistance
Growth	Deregulation	Training	Financial measures	Technical assistance

This matrix accommodates both the 'vulnerable' and the 'growth' components of the informal economy. By 'growth' I am referring to that informal activity that has the potential to develop in a way similar, but without the criminal character, to the Miami, Hong Kong, and Italy examples given by Rogerson. The matrix also introduces four key areas where policy interventions need to be made in an integrated fashion to facilitate development, namely: deregulation, training, financial measures and technical assistance. On the face of it, these policy areas appear to be identical for the 'vulnerable' and 'growth' components. However, as I will illustrate, although these

policies fall under the same headings, the form and content of the sub-policies differs substantially.

It is not this thesis' intention to argue that no policy initiatives have been forthcoming in the training, financial, and technical assistance areas. Indeed, many projects and interventions have occurred. The point is, most of these programmes have been done in a single area in isolation from the other components. In other words, these policy initiatives have, up until now, been disjointed and fragmented. The point of departure for the model presented here is its focus on an integrated strategy.

Before fleshing out the matrix with concrete policy proposals, it is useful to examine some of the policy initiatives that have been deployed up to now. Although these initiatives are limited by their fragmentary nature, many useful lessons can be drawn from them. In addition to this, it will become apparent that much of the infrastructure required for an integrated policy currently exists. In other words, a new integrated policy framework can build on many of the existing programmes - a classical case of the whole being greater than the sum of its parts. The area of deregulation and the legislative aspects that go with it has been substantially dealt with in Chapter 4. The following sections will therefore focus on initiatives in the training, financial and technical assistance fields.

As far as training initiatives for the informal sector is concerned, two main groups are involved in South Africa, namely; the non-government organisation (NGO) sector, and Homeland Development Agencies. A World Bank survey of informal sector support organisations reveals that NGOs involved in training for this sector include: The Foundation for Entrepreneurship Development (FED), The Get Ahead Foundation, The Informal Business Training Trust (IBTT), The Sunflower Project, The Triple Trust Organisation, Entrepreneurial Development - Southern Africa, and the Urban Foundation.<sup>16</sup>

The type of training offered by these NGOs, the World Bank points out, varies fairly considerably. Some of them, for example, the Triple Trust organisation and the Get Ahead Foundation, offer programmes designed to equip the unemployed with basic skills to enable them to become self-employed. Other projects, such as the Sunflower Project and Entrepreneurial Development - Southern Africa, provide very specific training. In these latter two cases, the skills training is aimed at self-employment in the building industry.

The Homeland Development Agencies, according to the World Bank, generally offer general business and management training. The future of these agencies is, however, uncertain given the current state of political flux and the movement towards a new political dispensation.<sup>17</sup>

In the financial assistance, or credit policy area, four key types of stakeholders are active, namely, NGOs, Homeland Development Agencies, parastatal organisations, and commercial banks.

A comprehensive World Bank report prepared by Schacter analyses each of these bodies in the following way.<sup>18</sup> He notes that the impact of NGOs in the financial assistance terrain is limited in that these organisations are heavily dependent on concessional grants. In addition to this, due to years of isolation, NGOs in South Africa are not always in a position to draw from the international experience.

Although the Small Business Development Corporation (SBDC) has, as part of its mandate, a commitment to the provision of support for the informal sector, in practice, only a very small proportion of its financial assistance is devoted to this. Part of the problem, the World Bank argues, is the SBDC's corporate culture which is "more attuned to conventional banking than to development work".<sup>19</sup>

South African banks, the report argues, have never regarded very small black owned businesses as attractive areas of intervention. With the exception of The Future Bank, which has invested some R200 000 000 in the taxi industry, the commercial banks' ventures into the micro-enterprise sector in South Africa are on a very small scale. However, it is the World Bank's view

that an improved political and economic situation in the country could see the banks emerging as important players in this market.<sup>20</sup>

The provision of technical assistance to enterprises in the informal sector is largely carried by NGOs and, to some extent, by the Homeland Development Agencies. NGOs involved in providing this type of support include the Urban Foundation and the Triple Trust Organisation. Most of the technical support offered revolves around sharing expertise in setting up a business for the first time. The programmes currently do not offer high-tech technical assistance, or assistance in exploiting export markets.

With the exception of the Homeland Development Agencies, and to some extent, the SBDC, a striking feature of the support work done in the informal sector area is the absence of the role of the state. With the uncertainty surrounding the future of the homeland structures, and the limited role that the SBDC has played in servicing the micro-enterprise level, the role of the state is in danger of diminishing further.

Rogerson has shown that a shared feature of successful informal economies is the central proactive role of the state through the support of training programmes, credit facilities and marketing assistance. Even among the 'vulnerable' components of the informal economy, the state has a role to play in the delivery of welfare packages aimed at alleviating poverty in the

sector. This can be done by making land and space available for petty agriculture or trading and by offering support through training and subsidies. In the South African situation, the role of the state in these initiatives is relatively peripheral. Just how the state ought to be centrally involved in the South African case is an issue that pursued towards the end of this chapter. The relatively minor role played by the state at all levels, apart from the area of deregulation, is one of the primary reasons why policy towards the informal sector is currently so fragmented.

As has been illustrated over the past few paragraphs some of the component parts of an integrated policy towards the informal sector already exist. However, these programmes currently are located in a wide variety of institutions and organisations and not much articulation between the different projects exists.

At this point it is useful to revisit the policy framework matrix introduced earlier in the chapter. The aim now is to flesh out the categories identified earlier with specific policy proposals. Presently, the matrix is made up of two axes, namely a 'vulnerability' plane and a 'growth' plane. Within each of these are four areas where interventions can be made -deregulation, training, financial support, and technical assistance.



I would like, at this stage, to introduce a further dimension to the model. Fluitman argues that any policy interventions in the informal sector

must be rooted in a knowledge of the people who work there and their environment, and of their major problems and aspirations. Moreover, it is essential to uncover the factors which explain success or failure in past interventions, if any. <sup>21</sup>

Policies, he contends, can only be successful if the target group is very clearly identified, and its needs adequately understood. This raises the issues of the different levels of intervention. Policies can be developed and applied at both the macro- (national) and micro- (local) levels.

Clearly, micro-level interventions are important, particularly as it is only at this level that specific needs assessments can be made. Given the heterogeneity of the informal sector, an issue frequently raised in this thesis, micro-level policy initiatives by local stakeholders are important.

However, if a policy framework for the informal sector is to achieve meaningful influence, mere micro-level interventions or piece-meal initiatives will be insufficient. Broad sweeping macro-level policies aimed at developing a national framework need to be advanced in order to create an enabling environment for the informal sector as a whole. Policy proposals at the macro/national level also serve to link the development of the

informal sector with other broad macro-economic and education and training initiatives.

In a sense, my policy framework matrix now has a third dimension, namely a distinction between the macro and micro levels. It is possible now to flesh out systematically the different categories of the matrix, using specific examples. Clearly the list of examples deployed will not be exhaustive, but they are intended merely to illustrate the type of policies that could be used in each of the categories. Taking policy towards the 'vulnerable' component of the informal sector as a starting point, it is possible to present both micro and macro interventions with regards to deregulation, training, financing, and technical assistance.

Macro-level initiatives with regard to deregulation, are, to some extent, significantly underway in South Africa. Chapter 4 has traced the shift in national legislation to the present where the *Businesses Act* reflects official policy at this level. In addition to legislation impinging on informal trade, other related areas of legislation can be deregulated to facilitate easier access to finance for traders. For example, relaxing, or eliminating the interest rate ceilings that money lenders, including banks, are allowed to charge, could facilitate the granting of small, short-term loans to traders. The risk of offering such loans is, thus, partly off-set by the greater interest returns that the lender is allowed to receive.

At the micro or local level, deregulation can take a number of forms. From a town planning point of view, zoning regulations could be relaxed to allow for better, more flexible space utilisation. The strict divide between residential and retail land usage often impedes informal, and indeed formal, trading operations. By-laws not specifically related to the informal sector, but which have a direct effect on business there, such as traffic regulations and health by-laws could be deregulated to a degree in order to facilitate access to trading activities. Returning to the case of street-trading in Pietermaritzburg, these types of reforms could alleviate some of the problems, including locational restrictions and unreasonable health regulations that the traders face. Although the *Businesses Act* helped to create an enabling environment for the traders, various pieces of peripheral local legislation, such as the by-laws mentioned above, are still in place and block access to informal business opportunities. For example, in Pietermaritzburg, by-laws relating to the manufacture, storage and sale of foodstuff still insist that food sellers operate from areas equipped with "wash-hand basins, fitted with a wholesome supply of hot and cold running water and traps and waste pipes in accordance with the Drainage By-laws".<sup>22</sup>

Policy initiatives on training for the 'vulnerable' informal sector can also be seen at the macro- and micro-levels. At the macro level, all aspects of training for the informal

sector needs to be brought into a national integrated training strategy. The separation between formal and informal training needs to be eradicated. Training for the informal sector would then be a component of an overall training strategy. By separating training for the formal from the informal sectors, one is effectively condemning anyone with informal sector training to a life in that marginal sector with no hope of pursuing an alternative career path.

In addition to this, specific policies on training could include aspects such as the amount of money the state spends on this. The size of budget allocations for training as well as issues on how the budget is to be divided and distributed among the different training initiatives are key areas where interventions can be made. Policy in this area is particularly important in that, given the 'vulnerable' position of sections of the informal sector, welfare assistance packages, offering poverty relief in the form of feeding schemes, may need to accompany this training. Other possible policy initiatives at the national level could involve a review of the existing training facilities and personnel with the aim of making better use of existing capacity. For example, the Development Bank of South Africa (DBSA) argues that business schools at universities, technikons and technical colleges could, in the future, play an important role in training for small, medium and micro enterprises.<sup>23</sup> The promotion and utilisation of more cost-

effective training methods, such as state provided distance education could also be part of policy development at this level.

At the micro-level, training policy interventions for the 'vulnerable' component of the informal sector are particularly important. If, as Fluitman has argued, it is essential that very particular knowledge about the needs and problems of specific target groups is needed before successful intervention can occur, it stands to reason that the micro-level policy is invaluable. Working within the parameters of macro-policy, local training needs can be identified and programmes set up accordingly. For example, in Pietermaritzburg, if a clear need for small business skills training was identified and articulated through a local level negotiating forum, appropriate programmes could be set up. Micro-policy interventions accommodate the heterogeneity of informal sector needs and are flexible in a way that macro-policy cannot be.

On the financial assistance front, policy interventions can also occur at the local and national levels. A problem that needs to be addressed is the question of loan and capital finance for the marginal sectors of the informal sector such as street-traders. Despite the existence of parastatals such as the Small Business Development Corporation (SBDC), these marginalised groups find it difficult to secure finance. Booth has illustrated that the SBDC is, in fact, far less inclined to offer loans to micro-enterprises than to larger established businesses. He has

shown that, in 1985, the SBDC lent out only 5.36% of its lending portfolio to operators requiring loans of less than R2000, while 85% was allocated to businesses requiring loans of over R30 000.

<sup>24</sup> He goes further to point out that parastatals like the SBDC are biased against the smallest operators because they lack an understanding of the prospective loan applicants' circumstances and real life situations. The location of SBDC offices in predominantly white areas, a shortage of interpreters, an unbalanced emphasis towards the manufacturing sector and a tendency to award loans for the purchase of capital equipment rather than working capital, all contribute to this problematic situation. Booth's view is that the SBDC needs to recognise these constraints and amend its *modus operandi* accordingly. <sup>25</sup>

As previously mentioned, budget allocations form part of a macro-level policy. Given the number of different organisations involved in financially assisting the 'vulnerable' component of the informal sector, a macro-level, state funded, national framework ought to be developed in order to co-ordinate the activities of these different groups. This would assist in creating an environment where there is greater co-operation and articulation between the different stakeholders in the field. The DBSA sees itself playing a facilitative role in this regard, although it does also see a possible need for a new institution to provide this articulation. <sup>26</sup>

Financial policy measures at the micro-level for the 'vulnerable' informal operators would include measures designed to identify areas where assistance is most needed, and what the best form of assistance would be under the particular circumstances. Interventions here may come in the form of loans from local banks or local government, or may even include welfare measures aimed at alleviating poverty in the sector. Projects such as the building of trading shelters in Pietermaritzburg's Retief Street would fit in at this level. Once again, policy initiatives at this level are crucially important, as macro-level policies cannot accurately target specific areas where intervention would help.

There is not much scope for macro-level policy towards providing technical assistance to the 'vulnerable' informal businesses. The best that can be achieved is the creation of mechanisms whereby the different providers of this type of support are able to share their experience and expertise and are able to articulate with each other in order to work more efficiently and to avoid duplication. The DBSA is starting to take the initiative with the development of a support framework for small, medium and micro enterprises. The framework is designed to identify areas where support is needed and to divide different tasks among various institutions thereby preventing unnecessary duplication.<sup>27</sup>

On the other hand, at the micro-level, through specific needs assessments, clear demand may be identified for technical assistance. Mechanisms need to be created at the local level to conduct these assessments, to evaluate them, and to act where necessary. For example, a group of informal manufacturers may, at a local level, identify a need for technical help in a particular area. A forum, with the support of local government, needs to be established where the different constituencies of the informal sector and the various providers of technical assistance can get together to evaluate such requests.

The above paragraphs have begun to develop an integrated set of policies, both at a macro- and micro-level, towards the 'vulnerable' part of the informal sector. The following passages will follow a similar pattern for policies aimed at stimulating and developing the 'growth' component of the urban informal sector. While the same categories are used, it will become evident that, in many cases, the nature and composition of the policies advocated are, in fact, quite different.

At the level of macro-policies aimed at deregulation to facilitate successful informal economies of growth, many policies would correspond to those appropriate in the case of promoting the 'vulnerable' component of the informal sector. A starting point would be to build on the deregulation that has recently occurred culminating in the new *Businesses Act*, outlined in Chapter 4. In addition to this, deregulating the money-lending



industry including aspects of the banking industry, particularly with regard to interest rates, would also serve to increase the availability of finance and venture capital.

If , as Rogerson has suggested, many successful informal economies of growth "show evidence of a strong export orientation", regulations restricting free trade between South Africa and its trading partners also need to be relaxed.<sup>28</sup> While this has happened to some extent with the 1994 signing of the General Agreement on Trade and Tariffs (GATT), licensing, exchange controls and remaining tariff regulations are cases in point.

At the micro level, appropriate deregulation, in addition to measures included in the new *Businesses Act*, will revolve primarily around licensing and zoning. Informal businesses hoping to develop into informal economies of growth ought to be freed of unnecessary locational restrictions. Clearly, some zoning may still be necessary, particularly in the case of heavy manufacturing, but there is scope for more efficient utilisation of space by allowing some commercial and/or production activity to take place in areas previously zoned for residential use only.

Training for successful informal economies of growth involves going well beyond the general entrepreneurship training that was advocated earlier in the chapter for the 'vulnerable' sector. In order for small informal enterprises to develop into

successful economies of growth, they need to be flexible, adaptive, innovative and in a position to adopt fairly sophisticated technologies such as the use of micro-computing and state of the art marketing tools.

At the macro-level, training for growth in the informal sector should be incorporated into an integrated national training strategy. COSATU has made the point, in its report on lifelong learning, that current training in South Africa is highly fragmented and, consequently, is unable to fulfil the demands made on it to provide human resources for national development.<sup>29</sup>

Up until now, there has been a tendency in South Africa to separate technical, vocational and academic forms of training. The type of training available to the informal sector has also not been seen as part of 'mainstream' training. COSATU argues that this fragmentation blocks, rather than opens, career paths. All training programmes, they argue, ought to be accredited in such a way that course credits can be accumulated and transferred between different training programmes. In other words, greater articulation between courses should facilitate the opening up of career paths. The path from technician to engineer and from street-trader to formal sector entrepreneur would thus be cleared.

The African National Congress (ANC) education policy also stresses an integrated approach. In its document *A Policy Framework for Education and Training*, the ANC asserts that

[t]here shall be mechanisms to ensure horizontal and vertical mobility and flexibility of access between general formative, technical, industrial and adult education and training in the formal and non-formal sectors.<sup>30</sup>

This allows trainees a great deal of flexibility in the courses that they can take. It also means that by accumulating enough credits, it is possible to advance along career paths without being blocked by the types of formal entrance requirements that we find at universities and other institutions at present. The advantage of such a policy for the informal sector is that it means that training for informal work does not necessarily condemn the trainee to a life in the informal sector itself.

Training interventions at the micro-level will need to be based on thorough needs assessments of carefully targeted enterprises. Training will, in some cases, involve fairly high-tech skills transfer and, in many instances, will resemble training in the formal sector. Depending on the type of enterprise, training could focus on business management, production skills, advertising, marketing, and skills needed for exploiting export markets. Training will need to be fairly specific to the particular target group and may be fairly costly

compared to generic basic business skills training offered to the 'vulnerable' component of the informal sector. COSATU argues that:

Local government structures and financial institutions will have an important facilitative role to play in this. In addition, local colleges and other learning centres could also provide important services to clusters of small and medium sized concerns. However, appropriate education and training should also become available to such people, WHICH IS ACCREDITED within the national system. <sup>31</sup>

Financial assistance policies aimed at developing informal economies of growth also differ significantly from those policies aimed at providing welfare assistance to 'vulnerable' groups. While the marginal components of the informal sector would typically require fairly small amounts of start-up capital on a short-term basis, informal enterprises hoping to enter a high-tech export oriented trading environment, will require different types of funding. The SBDC model, which earlier in this chapter was criticised for not adequately servicing the needs of marginal enterprises is, however, a fairly appropriate model for providing loan assistance to this segment of the informal sector. The needs of this part of the informal sector resemble those of small formal businesses. From the lending-institution's point of view these businesses are less risky because they often have high-tech equipment that can be used as collateral for loans.

Apart from developing parastatal funding organs such as the SBDC, macro-financial policy would also regulate the drawing up and distribution of national budgets used for financially aiding and developing informal economies of growth. The DBSA sees itself playing this kind of role in the future.<sup>32</sup> A review of usury regulations and restrictions would also form part of a national policy with the intention of freeing access to credit.

A further macro-policy initiative could come in the form of export incentives, whereby, through either subsidies or tax concessions, the development of high-skill, informal economies of growth is encouraged. Granted, these measures are really only effective once a degree of formality is reached. For example, true informal operators pay no tax anyway as their financial figures are not recorded in the state's records. However, in the case of successful informal economies of growth, the line between formality and informality becomes increasingly blurred.

Local, or micro-policy initiatives towards developing informal economies of growth could take a number of forms. In areas where it is in the regional or local interest to stimulate a particular type of enterprise, local authorities and businesses may choose to come together to collaborate and financially assist certain informal sector businesses. For example, in areas of Italy, local governments assisted infant fashion informal enterprises. This aid assisted the development of a sophisticated, successful network of informal fashion

businesses.<sup>33</sup> In South Africa, the tourism industry in Cape Town could prove to be a similar case. The lifting of economic sanctions and the emerging new political dispensation could see many tourism related opportunities emerging. Small-time informal tour operators, given the right type of financial assistance, may find themselves growing at a rapid rate and/or moving towards formality.

Technical assistance policies, which could include technological, marketing and advertising advice, in a similar fashion to financial aid policies, are crucial to the development of successful informal economies of growth. Unlike subsistence informal sector activities, which rely on basic business skills training, small businesses hoping to develop along a progressive growth path need access to state-of-the art technologies and the skills required to use them. For example, many of these businesses may deploy sophisticated manufacturing techniques, despite their informality. These technologies need backup and support. State and parastatal organs such as the Council for Scientific and Industrial Research (CSIR) and the Human Sciences Research Council (HSRC) have access to important research initiatives. The information that these bodies hold needs to be made more freely available to small, informal operators. As a macro-policy principle, these organisations ought to become more transparent in the way that they work, and in the manner in which they disseminate information.

At the micro-level, regional and local economies and the subsequent informal businesses that develop will determine the type of assistance that will be required. An important policy initiative would be the establishment of appropriate regional and local structures to ensure that accurate needs assessments are carried out and acted upon.

The last few pages have been used to flesh out, utilising illustrative examples where appropriate, some of the types of policy interventions that are needed to develop the informal sector. In a sense, these initiatives form the component parts of an integrated strategy towards promoting this sector. However, without a proper structure, these policies remain separate and fragmented. Tables 2 and 3 below build on Table 1 by including macro- and micro-elements, as well as by outlining possible areas for policy intervention. While a wide range of policy elements have been included, this matrix is by no means complete. Micro-policies, in particular, are at this point vague and inadequately formulated. This is largely due to the fact that these policies can only be concretised once a comprehensive process of needs assessment has been completed. These tables simply illustrate the types of policy that one may expect to find after such a process has occurred.

Table 2  
Integrated Policy Matrix: Macro-level

	MACRO-POLICY COMPONENTS			
Vulnerable	Deregulation	Training	Financial measures	Technical assistance
	<ul style="list-style-type: none"> <li>legislation changes</li> </ul>	<ul style="list-style-type: none"> <li>national strategy</li> <li>welfare provision</li> <li>distance training</li> </ul>	<ul style="list-style-type: none"> <li>budgeting</li> <li>revamping parastatal funding bodies</li> <li>Usury Act changes</li> </ul>	<ul style="list-style-type: none"> <li>set up networks</li> </ul>
Growth	Deregulation	Training	Financial measures	Technical assistance
	<ul style="list-style-type: none"> <li>legislative changes</li> <li>export trade regulations</li> </ul>	<ul style="list-style-type: none"> <li>national training strategy</li> <li>modular training</li> </ul>	<ul style="list-style-type: none"> <li>SBDC type of model</li> <li>budgeting</li> <li>Usury Act changes</li> <li>Tax concessions and incentives</li> </ul>	<ul style="list-style-type: none"> <li>Expand the role of parastatals such as the HSRC and CSIR</li> </ul>

Table 3  
Integrated Policy Matrix: Micro-level

	MICRO-POLICY COMPONENTS			
Vulnerable	Deregulation	Training	Financial measures	Technical assistance
	<ul style="list-style-type: none"> <li>licensing</li> <li>zoning</li> <li>traffic</li> <li>health</li> </ul>	<ul style="list-style-type: none"> <li>dependent on specific needs assessment</li> </ul>	<ul style="list-style-type: none"> <li>local projects</li> <li>welfare package</li> </ul>	<ul style="list-style-type: none"> <li>dependent on specific needs assessment</li> </ul>
Growth	Deregulation	Training	Financial measures	Technical assistance
	<ul style="list-style-type: none"> <li>licensing</li> <li>zoning</li> </ul>	<ul style="list-style-type: none"> <li>dependent on specific needs assessment</li> <li>specific skills transfer</li> </ul>	<ul style="list-style-type: none"> <li>dependent on specific needs assessment</li> </ul>	<ul style="list-style-type: none"> <li>dependent on specific needs assessment</li> </ul>



This chapter has, up until now, concentrated on illustrating possible elements of an integrated policy towards developing and promoting the informal sector. Apart from making the important assertion that policies have to accommodate both 'vulnerable' and potential 'growth' components of the informal sector, and that policies should be located at the macro- and micro-levels, not much attention has been given to issues of implementation.

In order for an integrated policy to work, appropriate structures have to be set up at the various levels of government. These structures will need to be composed in such a way that membership of these bodies is inclusive, comprehensive and representative of the stakeholders in the informal sector.

At the national level, a number of forums exist aimed at drawing together stakeholders, including the state, organised commerce and industry, the labour federations, and various organs of civil society, concerned with various aspects of development. For example, the National Economic Forum (NEF), the National Education and Training Forum (NETF), and the National Science and Technology Initiative (NSTI), are all initiatives aimed at facilitating negotiations, developing policy proposals and making recommendations on implementation in key development areas. While these forums have no statutory powers as yet, they have, in this period of transition, shown themselves to be successful mechanisms for resolving key problems. For example, in the NEF,

important agreements on reforms of the Unemployment Insurance Fund (UIF) have been made.<sup>34</sup>

A close examination of the policy framework matrix advanced in this chapter shows that policy towards the informal sector cuts across the areas of economic development, education and training and, in the case of policies towards developing informal economies of growth, science and technology. It is, therefore, logical that since forums already exist in these areas, their role and composition could to be expanded to accommodate the informal sector. Representation and participation would have to be broadened to include informal sector representatives. In cases where the sector is organised, as is the case with Achib, this is relatively unproblematic. However, securing representation of the non-organised parts of the informal sector, and of organisations that are structured at a local level as is the case with Siphamandla, will prove to be a difficult task indeed. However, the inclusion of the informal sector has the added advantage that it draws this, previously excluded, sector into the mainstream of policy initiatives in these different areas.

With the informal sector becoming an increasingly important and visible component of the South African economy, its primary interests could be effectively articulated in the National Economic Forum (NEF). While the NEF currently comprises representatives from the state, the trade union federations and employer bodies, its sphere of influence is intended to cover the

informal sector. However, informal sector representation on the forum at all decision making levels will have to be expanded to ensure that the sector has meaningful power on the forum. Notwithstanding this, on 5 July 1993, at the first plenary of the NEF, a R30 million small business development programme and a small business institutions/policy framework were announced.<sup>35</sup> Policies debated, developed, and implemented for the informal sector in the NEF have the added advantage in that such policies would be part of an overall integrated national economic policy framework. Under the new political dispensation, it will be important for these forums to be granted statutory decision making powers to ensure that these structures maintain their influence in these areas.

However, economic policy is not the only area where policy interventions towards the informal sector need to be made. The point was made earlier in the chapter that training for the informal sector ought to be part of an integrated national training strategy. In order to ensure that this occurs, informal sector representation on the National Education and Training Forum (NETF) is essential.

The NETF is currently comprised of stakeholders including: government, business, the National Education Conference (NEC), the training sector, tertiary institutions, teacher organisations, student organisations, parents and self-governing territories. The aims of the forum, through an integrated

approach to education, are: a.) the resolution of crises in education; b.) the restructuring of education for a democratic South Africa; and c.) the formulation of policy frameworks for the long-term restructuring of the education and training system.<sup>36</sup>

Clearly, if the NETF is to include, in its sphere of influence, training for the informal sector, the composition of the forum will have to be broadened to accommodate stakeholders in the sector. It would be via the NETF that views and policies on training advanced by stakeholders in the informal sector would be assimilated and incorporated into initiatives on developing a national training strategy.

A third area, related to education and training, and key to the development of informal economies of growth is science and technology. While a forum of the NEF and NETF type has not yet been formed to cover this area of development, substantial progress has been made towards this end. The NSTI was established to "discuss both issues of immediate concern, relating to the transition and those with longer term implications, and to concern itself with both policy and system".<sup>37</sup>

If, as I have suggested needs to happen, bodies such and the HSRC and the CSIR are to be restructured and adapted in a way that makes the technological resources and information they hold more accessible to small business initiatives, the NSTI could

prove to be a valuable structure for those elements of the informal sector that stand to benefit from such restructuring.

This chapter has argued that, at the macro-level, informal sector policy formulation and implementation should be structurally located in three different, but related forums. Clearly there will need to be a great deal of liaising and articulation between these bodies to ensure that the policies developed are coherent and form part of an integrated informal sector package. A small, statutory committee attached to the office of the Minister of Economic Development could be set up to play this role.

This structure would ensure that the informal sector interests are kept on the agendas of the various forums and will ensure that the policy positions arrived at one forum are compatible with the work of the other forums. It would also be this committee's task to ensure that local initiatives towards developing the informal sector are run in accordance with the overall national development strategy.

Having identified structural locations for macro-level policy formulation and implementation, appropriate local structures and mechanisms will now be explored. Three broad areas in which appropriate policy intervention could occur at a local level include: extending deregulation further in selected spatially defined areas; developing appropriate channels for

capital and finance provision; and facilitating education and training (including the provision of technical assistance).

A substantial criticism of the *Businesses Act* is that it simply legalises much of the activity that was happening illegally anyway. The provisions included in the Act do not, in themselves, promote an opening up of new avenues for employment in the informal-sector.

Rather, all the laws really do is offer some security to those who have hitherto been working in the area under threat of harassment and prosecution. Conditions for these traders will no doubt improve under the new Act - they are no longer required to move on hourly, they are now able to trade freely in areas where they had previously been excluded, and no longer have to ensure that they are trading outside a specified distance from any specified point or place. Despite this, a number of local regulations, most notably health by-laws, continue to restrict trading on the basis of the type of goods sold. For example, the City of Pietermaritzburg's *By-laws relating to the Manufacture, Storage and Sale of Foodstuff*, requires that anyone selling prepared food must have access to hot and cold running water, sanitation accommodation, wash-hand basins, separate male/female change rooms to a minimum of 0,6 metres square, a storeroom with a minimum floor area of 10 metres square, a roofed-over area and an impervious and graded floor.<sup>38</sup> Generally, these and other provisions of the health by-laws appear reasonable and indeed

desirable for the maintenance of a pleasant built environment. But, at the same time, these measures are wholly inappropriate for informal food preparers working areas such as taxi ranks or bus-stops. A way forward through this impasse could be a further extension of deregulation in specific areas. This concept, involving a spatial application of an extended deregulation package, has become known as the opportunity space concept. The Natal Town and Regional Planning Commission, in a 1987 study, has done extensive work on investigating this concept.<sup>39</sup> An opportunity space, or ZEBRA (Zero-Based Regulation Area) as it is called by the commission in their study, refers to:

a designated locality to which a deregulatory 'package' is applied; the intention being that this 'package' would facilitate participation by the un- and under-employed in some form of economic activity in that particular area.<sup>40</sup>

The implementation of the opportunity space concept involves two distinct processes. Firstly, it involves selecting additional legislation, regulations and policies for possible deregulation. Secondly, it means defining and demarcating appropriate spatial areas for extended deregulation.

The Commission argues that the method for selecting legislation for possible deregulation can be approached at two levels. Firstly, a zero-based method can be used, whereby all regulations are deleted and only those that are deemed absolutely necessary are considered for reinstating. Secondly, a selective

approach could be used where only certain pieces of legislation and regulations which have proved to be inhibiting and restrictive for the informal-sector would be selected for deregulation.

At the spatial level, the degree to which deregulation is implemented can occur along a continuum ranging from a broad scale, for example, the whole of a town, through to a micro-local level, such as a block within a town. The intention is to locate ZEBRAS in close proximity to high-activity nodes such as transport depots. One of the activities clearly suited to such an initiative is street-trading which could be deregulated using the zero-based method in areas around transport nodes.

But this concept can be developed also to include other forms of informal economic activity. For example, a ZEBRA located near an industrial complex creates the potential for informal subcontracting to occur in that area. The Natal Town and Regional Planning Commission stresses the need for a flexible approach, sensitive to the dynamics of each particular case. In their report it is clear that the Commission recognises that an integrated package involving a number of different groups is needed to make the ZEBRA concept workable.

In pursuing its investigation, it has become patently clear to the Zebra Work Group that, while restrictive regulations and procedures do constitute a major obstacle to the growth and development of the small business sector, there are also



other measures that would need to be pursued and linked up into a comprehensive package, in order to ensure that opportunity spaces have a better chance of succeeding in achieving the stated goal. These include:

- i) the provision of access to spatial opportunities and other necessary infrastructures, such as shelter, water, toilets and refuse collection
- ii) the provision of improved access to capital and credit
- iii) improved access to training, and
- iv) improved access to markets and supplies <sup>41</sup>

To ensure the success of the implementation of this type of initiative, it is clear that a number of actors would need to be involved. The provincial and local authorities need to work closely with the local community, development aid organisations such as the Small Business Development Corporation, and organisations that train and educate unskilled workers entering the informal-sector. The participation of these groups, and the local community in particular, is vital at all stages if the establishment of the ZEBRA concept is to succeed.

While ZEBRA areas have not yet been established in Pietermaritzburg, the City Council has set up a structure known as the Street Trading Working Group. The purpose of this structure, which was made up of local officials and representative of the street-traders, was to explore possible planning options for the promotion of the informal sector. The

group went as far as identifying a number of potential areas, located mainly near taxi ranks and bus terminals, that would be suitable for street-trading and has, over the years, developed facilities in two of these areas. In Retief Street shelters were built while pavements were divided into individual trading areas in East street. These initiatives, however, have not been successful, due largely to the fact that the organisation claiming to represent the street-traders in the areas, Siphamandla, found itself out of touch with its constituency. Consequently the Working Group never really managed work directly with the traders themselves, and found itself isolated from the intricate dynamics of street-trading in the areas. The hawkers rejected the facilities provided for them as these fixed sites undermined the flexibility of the hawkers trading styles. In addition to this, the Working Group has never managed to incorporate a skills training aspect into its programme.

A further problem that needs to be addressed is the question of loan and capital finance for the marginal sections of the informal-sector such as street-traders. Despite the existence of parastatals such as the Small Business Development Corporation (SBDC), a problem facing elements of the informal-sector that operate at a subsistence level is the ability to secure finance. By drawing financial institutions and potential donors and funders into the ZEBRA type initiatives, a greater understanding between informal operators and funders may develop facilitating a smoother flow of working capital.

The ZEBRA concept, because of its flexibility, is an appropriate mechanism that can be used to complement the deregulatory measures found in the *Businesses Act*. However, it must be stressed that the ZEBRA concept is more than an extension of deregulation in limited spatial areas. In order for the concept to work, a whole range of individuals and organisations representing the local authorities, business interests, the informal traders themselves, skills trainers, and finance organisations need to work together from the outset. In other words, an integrated approach based on real negotiations with genuine representatives of key interest groups is needed. An integrated package incorporating improved access to capital, skills training, and to deregulated spatial activity nodes can, if implemented properly, add substance to the drive towards employment through deregulation. If, however, the concept is implemented without the necessary support and co-operation of the communities for whom the projects are intended, and if the SBDC and similar organisations do not alter their loan and development policies towards very small businesses, the ZEBRA concept will have very little chance of succeeding. Indeed, as Chapter Five has illustrated, the presence of the Working Group examining issues on the development of street-trading has not been sufficient in significantly changing the position of hawkers in the Pietermaritzburg. This is despite the fact that representatives of business and local government sit on the group. The breakdown, in this case, appears to be linked to the

fact that the Pietermaritzburg group has not really been inclusive of proper informal trader representation.

If the integrated model outlined in this chapter is to succeed, it is vital that lessons, such as those learned in the Pietermaritzburg Working Group, are taken seriously and that the structural composition of bodies is truly representative of the stakeholders concerned. Without clearing this first hurdle, there is very little chance of success.

## Notes

- <sup>1</sup> Rogerson, C.M. and K.S.O. Beavon, 1980: 'The awakening of the "informal sector" studies in Southern Africa' in *The South African Geographical Journal* 62(1980), p. 176.
- <sup>2</sup> See p. 33 Chapter 2.
- <sup>3</sup> Rogerson, C. 1991: 'Policies for South Africa's urban informal economy' in E. Preston-Whyte and C. Rogerson, *South Africa's Informal Economy*, Oxford University Press, Cape Town, p. 214.
- <sup>4</sup> Rogerson, C. 1991: 'Policies for South Africa's urban informal economy' in E. Preston-Whyte and C. Rogerson, *South Africa's Informal Economy*, Oxford University Press, Cape Town, p. 214.
- <sup>5</sup> Kirsten, M., 1991: 'A quantitative assessment of the informal sector' in E. Preston-Whyte and C. Rogerson, *South Africa's Informal Economy*, Oxford University Press, Cape Town, p. 158.
- <sup>6</sup> Rogerson, C. 1991: 'Policies for South Africa's urban informal economy' in E. Preston-Whyte and C. Rogerson, *South Africa's Informal Economy*, Oxford University Press, Cape Town, p. 209.
- <sup>7</sup> Rogerson, C. 1991: 'Policies for South Africa's urban informal economy' in E. Preston-Whyte and C. Rogerson, *South Africa's Informal Economy*, Oxford University Press, Cape Town, p. 209.
- <sup>8</sup> Rogerson, C. 1991: 'Policies for South Africa's urban informal economy' in E. Preston-Whyte and C. Rogerson, *South Africa's Informal Economy*, Oxford University Press, Cape Town, p. 209.
- <sup>9</sup> Rogerson, C. 1991: 'Policies for South Africa's urban informal economy' in E. Preston-Whyte and C. Rogerson, *South Africa's Informal Economy*, Oxford University Press, Cape Town, p. 210.
- <sup>10</sup> For a more detailed explanation of the different categories along the continuum of casual work, see p. 48. in Chapter 3 of this thesis or Bromley, R. and C. Gerry. 1985, p. 5.
- <sup>11</sup> Rogerson, C. 1991: 'Policies for South Africa's urban informal economy' in E. Preston-Whyte and C. Rogerson, *South Africa's Informal Economy*, Oxford University Press, Cape Town, p. 213.
- <sup>12</sup> Rogerson, C. 1991: 'Policies for South Africa's urban informal economy' in E. Preston-Whyte and C. Rogerson, *South Africa's Informal Economy*, Oxford University Press, Cape Town, p. 214.
- <sup>13</sup> Rogerson, C. 1991: 'Policies for South Africa's urban informal economy' in E. Preston-Whyte and C. Rogerson, *South Africa's Informal Economy*, Oxford University Press, Cape Town, p. 214.

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<sup>14</sup> See p. 48. Chapter 3.

<sup>15</sup> King, K., 1989: 'Training for the urban informal sector in developing countries: Policy issues for practitioners' in F. Fluitman, *Training for Work in the Informal Sector*, ILO, Geneva, p. 31.

<sup>16</sup> Schacter, M., 1992: *Microentrepreneurship in South Africa: the impact of regulation and support services*, Country Economics Department, The World Bank, p. 12.

<sup>17</sup> Schacter, M., 1992: *Microentrepreneurship in South Africa: the impact of regulation and support services*, Country Economics Department, The World Bank, p. 19.

<sup>18</sup> Schacter, M., 1992: *Microentrepreneurship in South Africa: the impact of regulation and support services*, Country Economics Department, The World Bank, p. 13.

<sup>19</sup> Schacter, M., 1992: *Microentrepreneurship in South Africa: the impact of regulation and support services*, Country Economics Department, The World Bank, p. 13.

<sup>20</sup> Schacter, M., 1992: *Microentrepreneurship in South Africa: the impact of regulation and support services*, Country Economics Department, The World Bank, p. 14.

<sup>21</sup> Fluitman, F., 1989: 'Training for work in the informal sector: In search of a sensible approach' in F. Fluitman, *Training for Work in the Informal Sector*, ILO, Geneva, p. 209.

<sup>22</sup> City of Pietermaritzburg, 1973: *By-laws Relating to the Manufacture, Storage and Sale of Foodstuff*, City of Pietermaritzburg, Pietermaritzburg.

<sup>23</sup> Development Bank of South Africa, 1993: *Technology for South African Small, Medium and Micro Enterprises*, DBSA, Halfway House, p. 7.

<sup>24</sup> Booth, D., 1988: *Measuring the Success of Employment Creation Strategies in the Apartheid State*, Development Studies Unit Working Paper No. 17, Centre for Applied Social Sciences, University of Natal, Durban, p. 19.

<sup>25</sup> Mosdell, T., 1991: 'The South African informal sector: poverty trap or Panacea?', Paper presented at the Political Science Association biennial conference, Rustenburg, 10 - 11 October. p. 21.

<sup>26</sup> Development Bank of South Africa, 1993: *Technology for South African Small, Medium and Micro Enterprises*, DBSA, Halfway House, p. 7.

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- <sup>27</sup> Development Bank of South Africa, 1993: *Technology for South African Small, Medium and Micro Enterprises*, DBSA, Halfway House, p. 7.
- <sup>28</sup> Rogerson, C. 1991: 'Policies for South Africa's urban informal economy' in E. Preston-Whyte and C. Rogerson, *South Africa's Informal Economy*, Oxford University Press, Cape Town, p. 215.
- <sup>29</sup> Congress of South African Trade Unions, 1993: *Report: Lifelong Learning - Policy Proposals*, COSATU, Johannesburg, p. 1.
- <sup>30</sup> African National Congress, 1993: *A Policy Framework for Education and Training*, ANC, Braamfontein. p. 4.
- <sup>31</sup> Congress of South African Trade Unions, 1993: *Report: Lifelong Learning - Policy Proposals*, COSATU, Johannesburg, p. 11.
- <sup>32</sup> Development Bank of South Africa, 1993: *Technology for South African Small, Medium and Micro Enterprises*, DBSA, Halfway House, p. 7.
- <sup>33</sup> Rogerson, C. 1991: 'Policies for South Africa's urban informal economy' in E. Preston-Whyte and C. Rogerson, *South Africa's Informal Economy*, Oxford University Press, Cape Town, p. 214.
- <sup>34</sup> Patel, E. 1993: *Engine of Development?: South Africa's National Economic Forum*, Juta, Kenwyn, p.9.
- <sup>35</sup> Patel, E. 1993: *Engine of Development?: South Africa's National Economic Forum*, Juta, Kenwyn, p.8.
- <sup>36</sup> NETF, 1994: *The NETF - Progress Report 10 January 1994*, National Education and Training Forum, p. 1.
- <sup>37</sup> Science and Technology Initiative, 1993: Briefing documents for the 2nd Meeting of the Plenary - 3 August 1993, p. 12.
- <sup>38</sup> City of Pietermaritzburg, 1973: *By-laws Relating to the Manufacture, Storage and Sale of Foodstuff*, City of Pietermaritzburg, Pietermaritzburg, p. 2.
- <sup>39</sup> Natal Town and Regional Planning Commission, 1988: *Employment Creation by Deregulation: Proceedings of a Seminar March 1987*, Natal Town and Regional Planning Commission, Pietermaritzburg, p. 10.
- <sup>40</sup> Natal Town and Regional Planning Commission, 1988: *Employment Creation by Deregulation: Proceedings of a Seminar March 1987*, Natal Town and Regional Planning Commission, Pietermaritzburg, p. 10.

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<sup>41</sup> Natal Town and Regional Planning Commission, 1988: *Employment Creation by Deregulation: Proceedings of a Seminar March 1987*, Natal Town and Regional Planning Commission, Pietermaritzburg, p. 12.



## CHAPTER 7

### CONCLUSION

This thesis has attempted to show that, despite the highly fragmented nature of the concept 'informal sector' and the fact that there is no real consensus on how the informal economy relates to or has linkages to the formal economy, it is possible to come up with an integrated set of policies that is inclusive enough to accommodate this diversity.

While Chapters Two and Three outline, at a largely theoretical level, the nature of the informal sector and its relationship to the economy generally, Chapters Four and Five begin to look at the practical implications of policy interventions towards the sector internationally, nationally and at the local, Pietermaritzburg level. Chapter Six, building on some of the lessons from the past, develops a model aimed at stimulating informal sector growth using an integrated strategy.

The model presented in the previous chapter takes the heterogeneous nature of the informal sector into consideration, yet it is concrete and specific enough to provide a realistic and implementable policy framework. By recognising that policies need to be pitched at the micro- as well as macro-levels, and that a distinction needs to be made between survival strategy or 'vulnerable' informal work on the one hand, and 'successful' informal work on the other hand.

informal economies of growth' on the other, the thesis provides an integrated policy model that covers most aspects of policy towards developing this part of the economy.

Broad, general policies at the macro-level, will ensure that policy towards the informal sector forms part of a broader macro-economic development policy for the country, ensuring that the sector is not marginalised further than is already the case. On the other hand, micro-policy interventions conducted at the local level on the basis of specific needs assessments, will ensure that policies are specifically tailored to the needs of the target groups.

Most importantly, perhaps, are the structures that will need to be set up to facilitate the implementation of these policies. As the previous chapter has pointed out, there currently exist, at the national level, a number of forums and initiatives that can be used to debate, develop and implement aspects of informal sector policy. Similarly, at the local level, embryonic initiatives aimed at drawing local stakeholders together with a view to policy development, have started to emerge. However, what is still missing and remains to be developed, is a co-ordinating structure to ensure that the national forums do not develop policies that are in contradiction with each other, and that local initiatives fit in broadly with the national framework.

A great deal of caution, however, needs to be exercised in developing these forums. It must be remembered that these bodies, both local and national, are essentially corporatist structures. Existing forums such as the NEF and the NETF are in reality tripartite bodies reflecting the interests of the state, employers, and organised labour. A question that needs to be raised at this point is - to what extent do these specialist bodies thwart the 'will of the people'? For example - would these structures essentially side-step a future democratically elected parliament in key policy areas? These are important concerns, but are by no means insurmountable. What they do, however, is stress the importance of notions such as representation and accountability.

Vital to the process of adapting and developing these bodies to accommodate informal sector interests is the question of representation. One of the reasons for the failure of the local Working Group in Pietermaritzburg was that it did not go far enough to ensure that informal sector representation was complete. Consequently, measures adopted by the Group did not apply to all street-traders as the informal sector representatives only saw themselves accountable to their own paid-up constituency. Lessons from the past, where they exist, need to be taken on board and steps need to be taken to ensure that the same mistakes are not repeated.

As South Africa moves towards a new political dispensation, there is no better time than the present to begin setting up these mechanisms. In fact, the new *Constitution of the Republic of South Africa* unveiled in early 1994 facilitates, particularly at the local level, the establishment of many of these structures.<sup>1</sup>

At the micro-level, in demarcating the powers and functions of local government, the Constitution expressly makes provision for the establishment of, what it terms, "submunicipal entities". These bodies, set up at the discretion of local governments, will take the responsibility for regulating certain municipal level activities. Control, regulation and development of street-trading in the informal sector could certainly be accommodated in one of these structures.

The establishment of these bodies is, however, dependent on the will of the local and regional authorities. As Chapter Four illustrates, using the example of the Natal Provincial Administrator's failure to exercise his right to draft local policy, the power of bureaucratic resistance to legislative reform cannot be underestimated.

Also, these structures will have to work within the national legislative framework as determined by Acts of Parliament. In the case of 'submunicipal entities' covering the activities of street-traders and the informal sector, all local

level decisions will have to be in accordance with legislation such as the *Businesses Act*. Nevertheless, expanded possibilities for establishing local level forums with the intention of addressing the needs of the informal sector certainly exist. The point of departure under the new Constitution is that, if properly constituted and truly representative of all stakeholders in the sector, these bodies could, at last, find themselves with real, legitimate decision making powers.

What is needed is an integrated model accommodating both vulnerable and more successful components of the informal sector at the macro- and micro-levels in a deregulated environment where training, financial support and technical assistance is provided. This flexible approach, I argue, is the most appropriate strategy for developing an informal sector characterised by heterogeneity and uneven linkages to the formal economy.

## Notes

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<sup>1</sup> South Africa, 1994: *Constitution of the Republic of South Africa Bill*, Government Printers, Pretoria. p. 114.

APPENDIX 1

THE RETIEF STREET PROJECT  
STREET TRADING IN THE PIETERMARITZBURG  
CENTRAL BUSINESS DISTRICT

Timothy Mosdell

1990

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## CHAPTER 1

### INTRODUCTION

#### 1.1 Background

With the South African state's recent expressed commitment to privatisation and deregulation, the "informal sector" has attracted a great deal of attention among planners and development theorists. The state's changing policy towards the urban informal sector is based on a particular set of assumptions around the nature of the informal sector. The assumption that the informal sector can ease problems of unemployment and stagnant economic growth forms the basis for the state's new initiative towards easing restrictions on, and in some cases assisting, the informal sector.

#### 1.2 Aims and objectives

One of the primary objectives of the Street-trader Project is to explore the conditions that urban street-traders in Pietermaritzburg experience. Here information on family economic structure, housing, income, harassment etc. is presented. Linked with this, the project also explores the particular responses that the street-traders make to these conditions. Here I explore political as well as economic steps that these traders have taken in response to their living and working conditions. I also explore the nature of the Siphamandla Hawkers and Vendors

Association who's stated purpose it is to implement these political and economic steps. The project also examines some of the linkages that exist between the street-trader economy and the business sector. I will show that, at some levels, domination\subordination relations exist between these components of the economy. In addition to this, this project examines the relationship between the street-traders and the local state. The Pietermaritzburg City Council's attitude towards street trading, and the programmes that it has implemented in this regard are critically examined.

### 1.3 Method

The survey was conducted by administering a number of questionnaires to street-traders working in a defined area of the Pietermaritzburg CBD. The area in question is located in the vicinity of the Retief Street bus terminus, a place noted for its street trading activity. <sup>1</sup> The questionnaire was made up of five sections: Personal Information, Informal Sector Profile, Income and Assets, Relation to the Business, Finance and Public Sectors and Market Information. <sup>2</sup> In all, each schedule included eighty questions, some of which were open ended, while others involved choosing from a list of fixed categories. <sup>3</sup>

The survey was administered over one day (Tuesday 25 July 1989) using 11 fieldworkers attempting to survey the entire population of street-traders present. A census count of hawkers

and vendors in the area revealed 98 traders present. The fieldworkers managed to capture 76 of these before time got the better of them. Of the 76 surveyed 5 refused to answer the questionnaire. <sup>4</sup> All those interviewed were African.

The survey was limited to street-traders and did not attempt to capture other "informal sector" activities such as pirate taxi operations. Likewise, it did not examine those small-scale enterprises that Rogerson describes as being part of the "unacceptable" lumpen-proletarian sphere of begging, prostitution and theft. <sup>5</sup>

The Retief street area was chosen for a number of reasons. Firstly, the area supports a large number of street-traders attracted to the relatively busy passing trade associated with the Retief street bus terminus. <sup>2</sup> Secondly, the area is fairly compact, and as such it lends itself to a one-day survey of the type that was used. <sup>3</sup> Thirdly, the Retief street area is one of seven areas in which the Pietermaritzburg City Council has planned to establish informal market complexes. Indeed an area adjacent to the bus terminus has been earmarked to be the first of such complexes and work on the complex is in an advanced stage.

In addition to the sample survey conducted, information was also gathered through a series of interviews. Detailed interviews have been conducted with key people in the Siphamandla Hawkers and Vendors Association as well as with employees of the City

Council. Many of those interviewed sit on the Street Trading Working Group which was set up in 1988 by the City Council to look into the issue of street hawking. <sup>6</sup> In addition to this information has also been gathered by maintaining a file of press clippings of the issue as covered by *The Natal Witness* and other newspapers.

## CHAPTER 2

### DEMOGRAPHIC INFORMATION

#### 2.1 Introduction

The purpose of this chapter is to give an overview of the demographic characteristics of the street-traders in the Retief Street area illustrating the conditions of life of this particular section of the street trading community. Basic demographic information such as age distributions, sexual composition and education is presented and discussed. A breakdown of the economic activities of household members is given and analysed. Residential information, including some housing data, reasons for coming to Pietermaritzburg and the length of time lived in the region is also discussed.

#### 2.2 Personal Information

##### 2.2.1 Sexual division of labour

It is clear that the particular type of street trading that occurs in the Retief Street area is primarily a women's activity. All but one of those surveyed were women. Furthermore, the male interviewed cannot be described as characteristic of the street-traders in the area. He operates his enterprise from a small truck where all the other traders work off the pavement, his monthly income is over three times that of the average. In

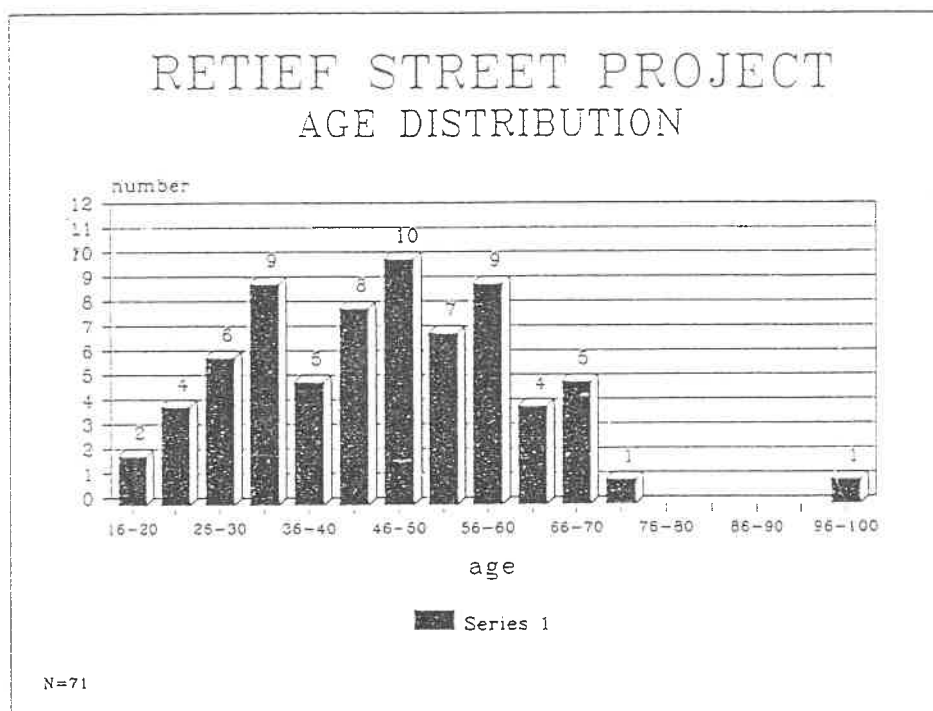
addition to this, with a standard nine he is substantially more educated than the other traders (see 2.2.3). Women thus make up the street trading economy up to the point where special skills (e.g. driving) are required. Nici Nelson in a study of the sexual division of labour in the informal sector in Nairobi explains that "women sell in the informal market-place skills they normally practice in the home." 7

In the case of the Retief Street-traders, this can relate to the traditional role of women as providers of food and clothing. It appears that once skill requirements exceed those learned in the home, men start to enter the scene.

#### 2.2.2 Age distribution

The ages of the street-traders in the Retief Street area vary from 19 to an alleged 98. The mean age is 46.17. 83% of the sample are over 30 years old, 63% are older than 40 and 38% are over 50. These findings are significant as they indicate that an extraordinarily large number of old people are active in street trading. This, along with the fact that the average street-trader in the area has been involved in the same economic activity for 14 years shows a pattern that runs counter to the common hypothesis that this sector is open, absorbing the pressure of unemployment. It indicates that this kind of activity is not used as a stepping stone for those seeking to enter the urban wage economy. Street trading must thus be seen as a survival strategy with many of these people seeing street trading as the only

economic alternative left open to them. 43% of those not actively seeking formal employment indicated that they were either too old (32%) or too ill (11%) to fill such positions.

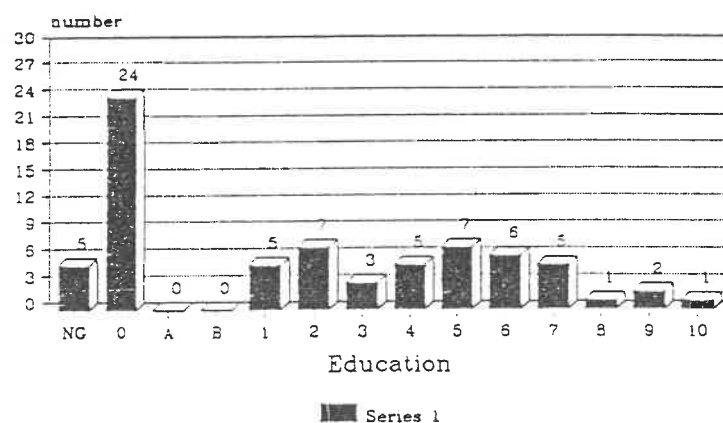


### 2.2.3 Education

The level of formal education among the Retief Street hawkers is low. 36% of the street-traders indicated that they had no formal schooling whatsoever, 55% had standard 2 or less, while 86% had an education level of lower than standard 6. Only one respondent indicated that she had a standard 10. None of the street-traders had any experience of tertiary education. This general low level of formal training reinforces the earlier assertion that the street-traders in the Retief Street area generally rely on skills learnt in the home for their trade.

## RETIEF STREET PROJECT

### Education Distribution



N=71

### 2.3 Household composition

The average household size was found to be 7.2. For a further breakdown of this refer to the table below. Nearly 41% of the street-traders identify themselves as the household head, while 37% see themselves as the head's wife.

TABLE 1  
ECONOMIC COMPOSITION OF HOUSEHOLD

ECONOMIC STATUS	TOTAL	PER HOUSEHOLD	PERCENTAGE
Employed	51	0.72	10%
Self-employed	84	1.18	16%
Unemployed	76	1.07	15%
Not in labour force	69	0.97	13%
Pensioners	13	0.18	3%
Children	219	3.08	43%
TOTAL	512	7.20	100%



From these findings it can be seen that only 29% of the 512 household members captured in the survey provide any financial income, with only 10% of household members holding formal employment. More specific income figures will be examined in the next chapter.

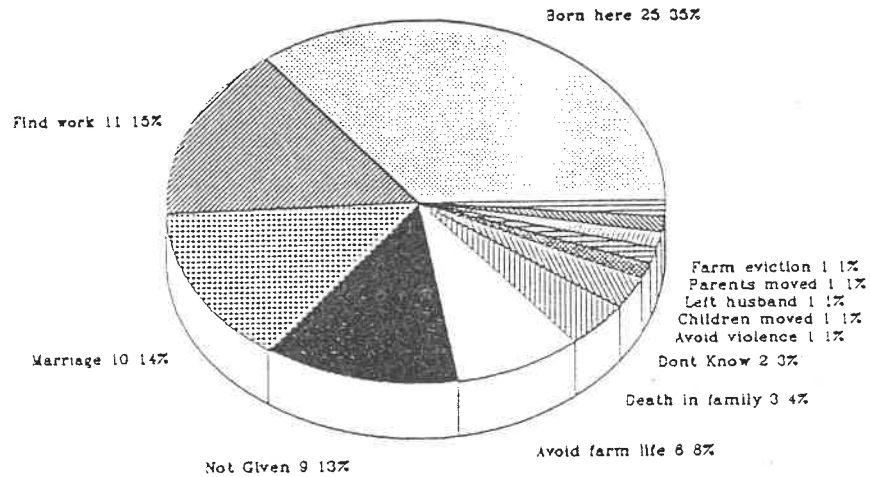
## 2.4. Residential information

### 2.4.1 Period lived in the Pmb area

Most of the street-traders have lived in Pietermaritzburg for a considerable length of time. The average period lived in the region is just under 31 years (compared to an average age of just over 46). Many of the hawkers have spent much of this time in the street vending trade. The average street-trader in the Retief street area has been involved in this economic activity for almost 14 years. Many of those surveyed (35%) were born in the area, 15.5% came to find employment, while 14% came to the city after being married. For a more detailed breakdown of the reasons for coming to Pietermaritzburg consult the pie-graph below. These findings suggest that there is not that much mobility in this sector, both in terms of moving geographically, as well as in terms of occupational mobility.

# RETIEF STREET PROJECT

## Reasons for coming to Pmb



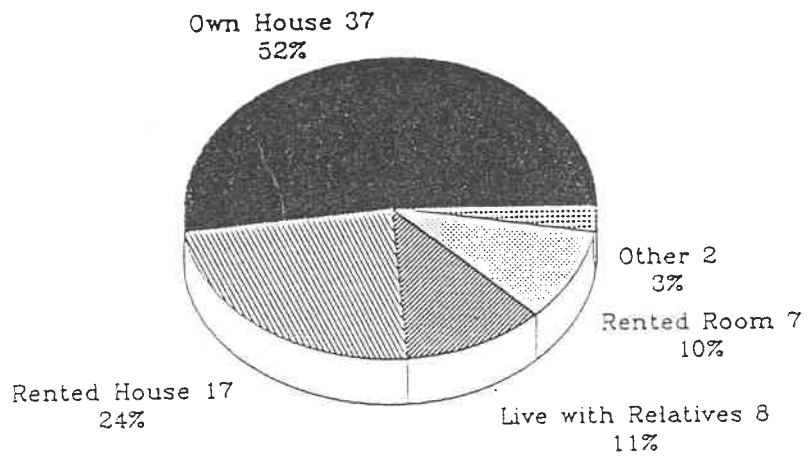
N=71

### 2.4.2 Housing

Over half (52%) of the street-traders own the house that they live in. The survey, however, did not attempt to determine the exact nature of the ownership. 34% rented houses or rooms. For a more detailed consult the pie-chart below. <sup>8</sup>

# RETIEF STREET PROJECT

## Housing Type



N=71

## CHAPTER 3

### ECONOMIC PROFILE

#### 3.1 Incomes

##### 3.1.1 Individual Incomes

Despite the fact that accurate monthly income figures proved fairly problematic to determine, some useful information has emerged from the survey. <sup>9</sup> The mean personal income is calculated at R191.70, but as the distribution graph below shows, the mode lies in the distribution R0.00 - R100.00 per month with 43% of those who supplied income figures falling within this range. 74% of the street-traders earn R200.00 per month or less. The annual calculated mean of R2300.04 is somewhat less, in real terms, than that of R2518.00 calculated by Glass for Claremont and Inanda in 1983 (R5602.23 adjusted for 1989) as well as Wellings and Sutcliffe's figure of R1700.00 for Kwa-Mashu in 1984 (R3429.04 adjusted for 1989). <sup>10</sup>

It is interesting to observe that not only is it impossible to speak of an homogeneous informal sector, but one cannot confidently even speak of street-traders in Retief Street as a single homogeneous group. As I will argue throughout this paper, it is clear that there are two distinct groupings within this trade, namely those selling clothing and those selling food. The two groups differ significantly in a number of ways. This chapter

explores the difference in income between these groups, while other chapters will show that these groups have different attitudes towards the hawkers and vendors Association and that they have very different relationships with the "formal sector".

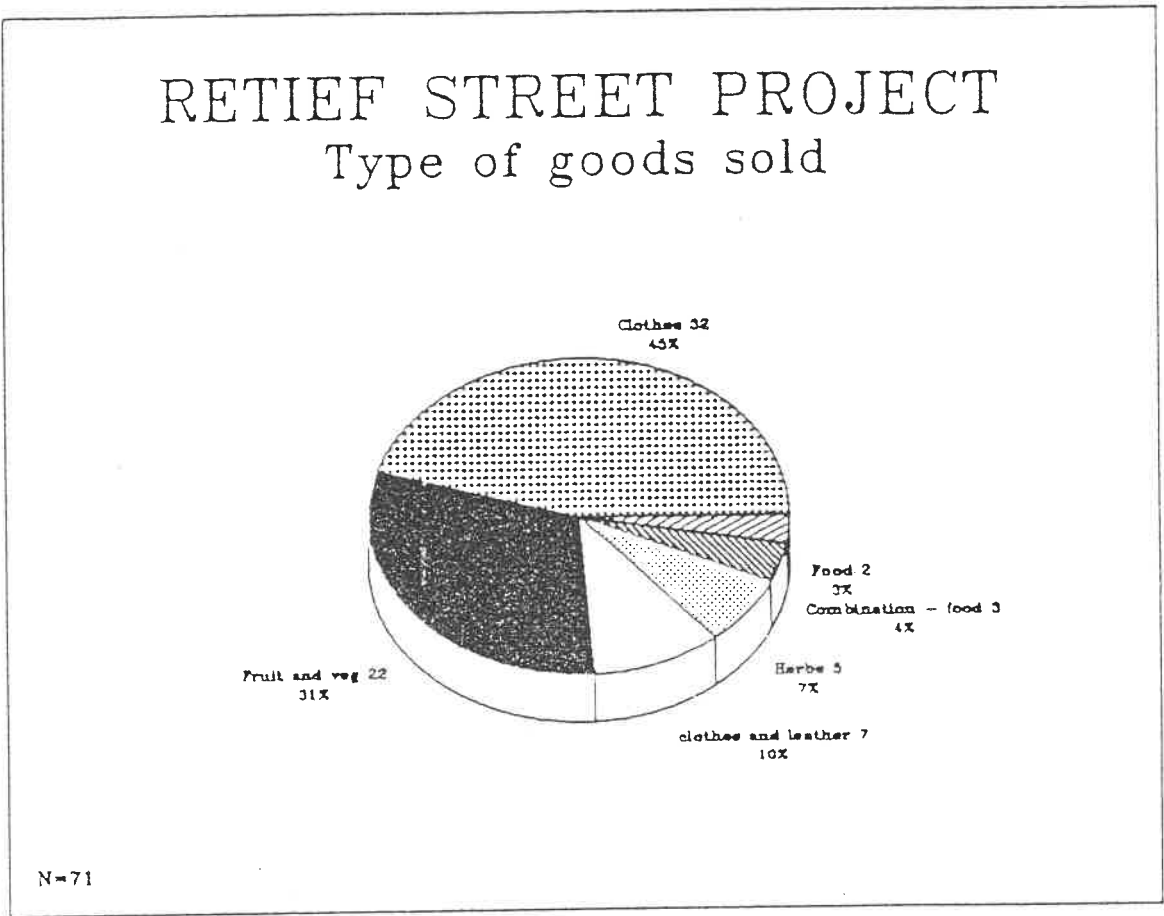
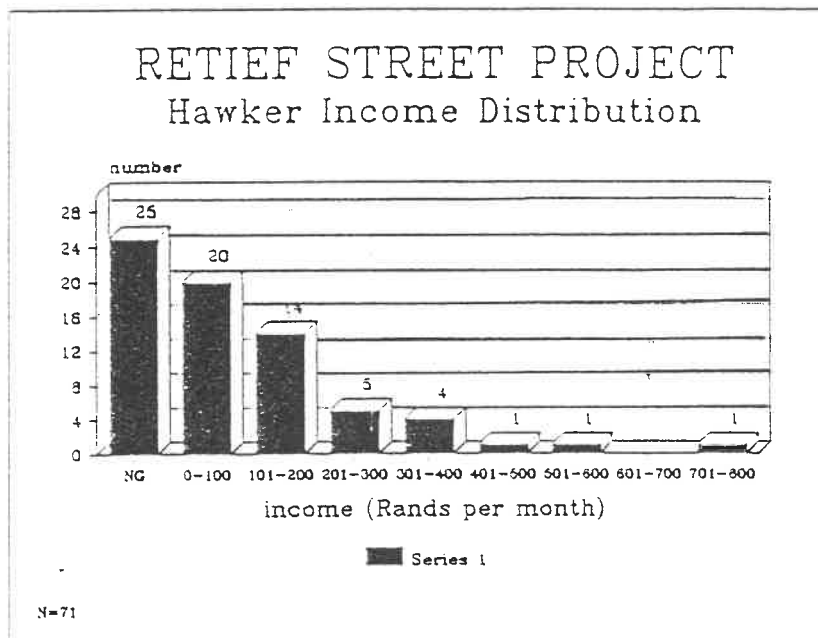


TABLE 2

## INCOME DISTRIBUTION ACCORDING TO TYPE OF GOODS SOLD

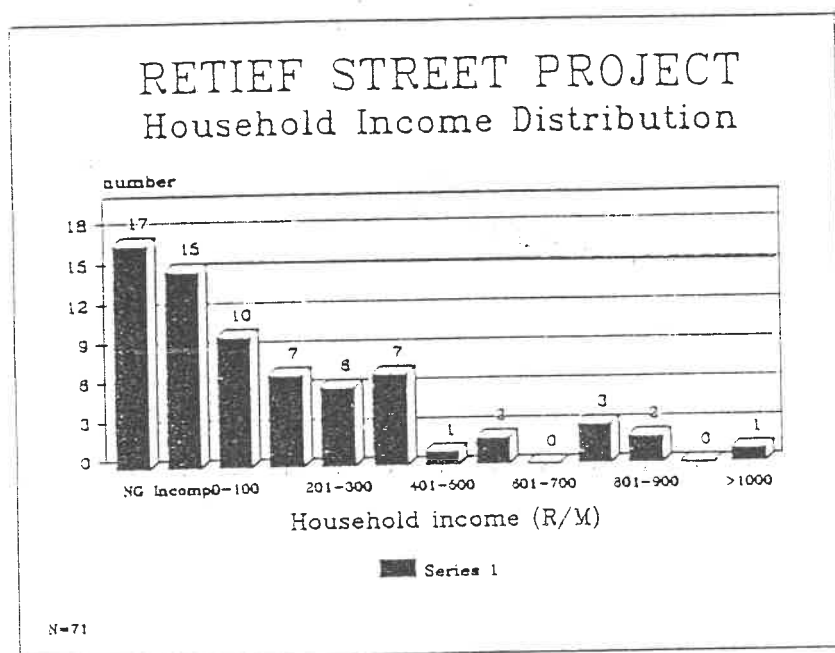
DISTRIBUTION R/M	FOOD SELLERS	%	CLOTHING SELLERS	%	TOTAL	%
0 - 100	8	35	12	52	20	43.5
101 - 200	9	39	5	22	14	30.5
201 - 300	3	13	3	13	6	13
301 - 400			3	13	3	7
401 - 500	1	4.33			1	2
501 - 600	1	4.33			1	2
601 - 700		4.33				
701 - 800	1				1	2
TOTAL	23	100	23	100	46	100



## 3.1.2 Household incomes

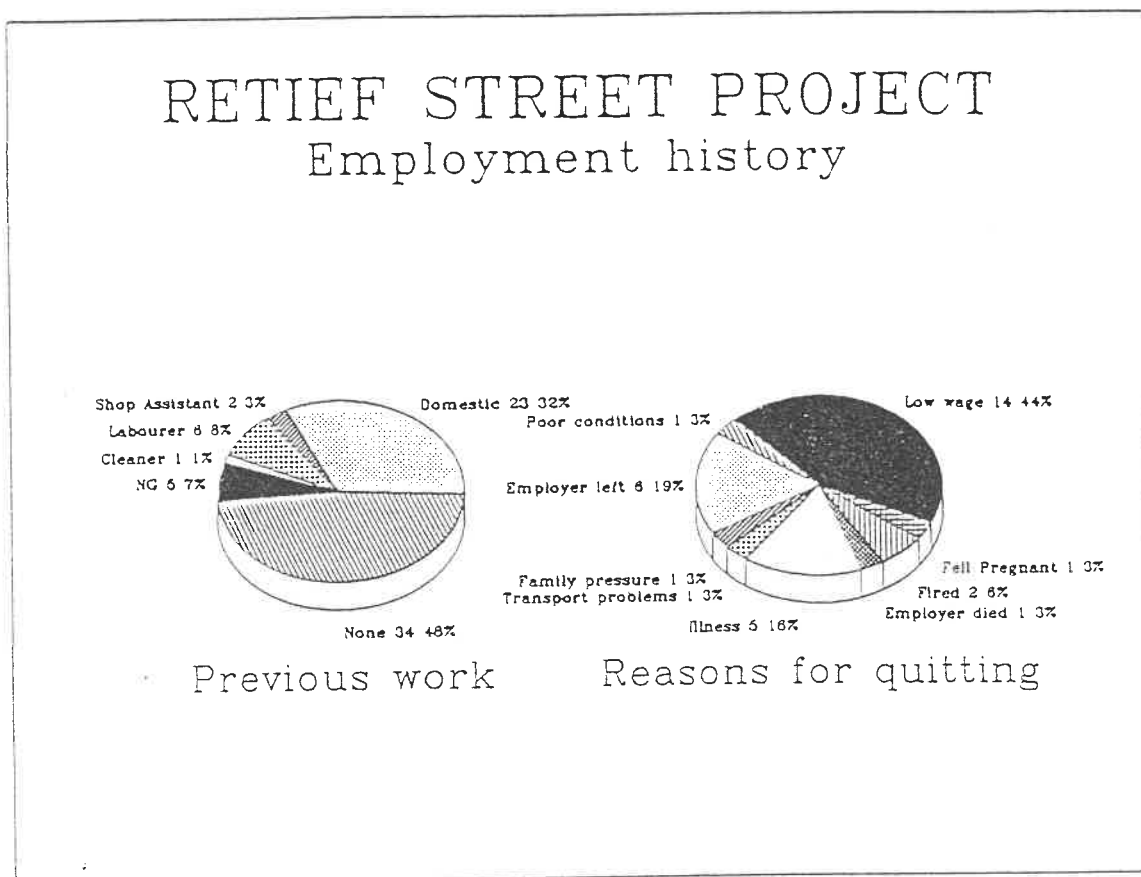
The mean household income of the street-traders is calculated at R367.15 per month.<sup>11</sup> Again the mode lies in the income distribution R0.00 - R100.00. 26% of the households fall within this range, while 77% of the households have a monthly income of

less than R400.00. It is significant to note that the street-traders contribute over 52% of all household income although these findings do tend to support Welling and Sutcliffe's view that "it is fundamentally misleading to separate households into 'informal' and 'formal'" 12



In an earlier chapter it was shown that the mean household size is 7.2. This means that household income translates into an individual income of just under R51.00. While I tend to agree with Wellings and Sutcliffe's assertion that "it is patently not the case that the informal sector consists simply of the poorest fractions of the community 'getting by' on marginal incomes" 13 it is clear from these low income figures that the street trading in Retief Street is hardly a highly lucrative trade. The incomes are, however, comparable or even higher than those generated

through domestic labour. 14 32% of all the street-traders (or 62% of those who had held jobs other than street trading) had previously been in domestic employment with low wages being the main reason for leaving.

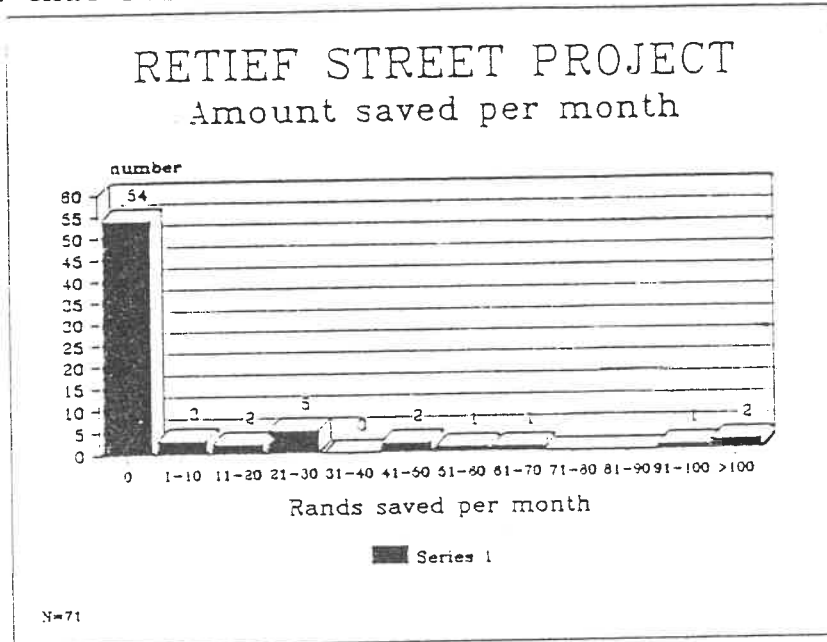


### 3.2 Savings

Only 24% of the sample managed to put aside money as savings. Most of the street-traders argue that they live a hand to mouth existence and as such it is impossible to save at all. On average R12.32 was saved per month, but this figure works out at R51.47 per month if one calculates the figure only according to those 17 who actually do manage to save. These findings reinforce the

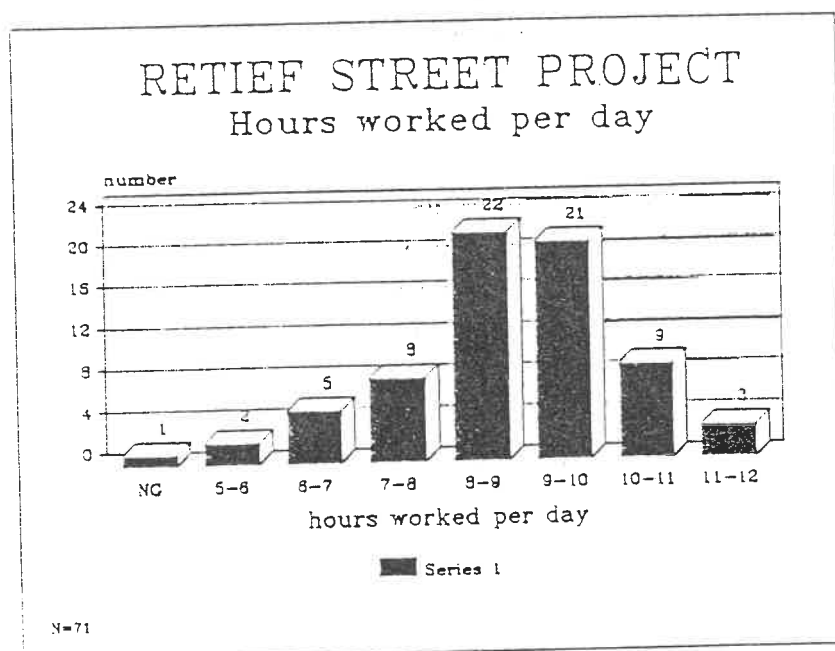


contention that street trading is far from lucrative.



### 3.3 Hours worked

Most of those surveyed (94%) worked six days per week. On average, they worked for 8.5 hours per day with the range falling between 5 hours and 11.5 hours per day. For a more detailed breakdown of hours worked, see the distribution graph below.



### 3.4 Conclusion

A number of interesting findings have emerged in the course of this chapter. Firstly, I contend that, in the same way that one cannot talk of the "informal sector" as an homogeneous entity, one cannot speak of the Retief Street Hawkers as an homogeneous group. Indeed, there exist two distinct groups which have different political attitudes, different income levels and different relationships with the rest of the local economy. Some of these issues will be more completely explored in the chapters to come. Secondly I contend that street trading activity is not the most marginal economically active grouping in the urban economy. Indeed, entry into the trade is often a response to low wages in domestic employment. Finally, while recognising that street trading is not the most marginal of occupations, it is clear from the income figures of the survey that the trade is not highly lucrative. The traders generally do not manage to save and household income per person is low at just over fifty Rand per month. The street-traders tend to remain in the trade at this level for a considerable length of time (Ave 13.74) suggesting that the occupation is a survival strategy rather than a platform for economic upward mobility.

## CHAPTER 4

### RELATION TO THE BUSINESS, FINANCE AND PUBLIC SECTORS

#### 4.1 Background

One of the objectives of this research project is to attempt to identify the nature of the linkages between the informal street-traders and the so called formal sector. The questionnaire was structured in such a way so as to identify whether the trader perceives him/herself to be self-employed, how the trader raised the money to start the business, where the traders procure their goods from, whether or not the traders are offered credit and details of the nature of this credit.

The above questions are aimed at determining whether the street-trader is indeed an independent small enterprise, or whether his/her independence is eroded by complex network of relationships with different elements of the formal sector. Again in this chapter it emerges that there are two distinct groups within the Retief Street hawking community, clothes sellers and food sellers. These groups enjoy totally different relations with the business sector.

#### 4.2 Employment status

Approximately 93% of the street-traders interviewed regard

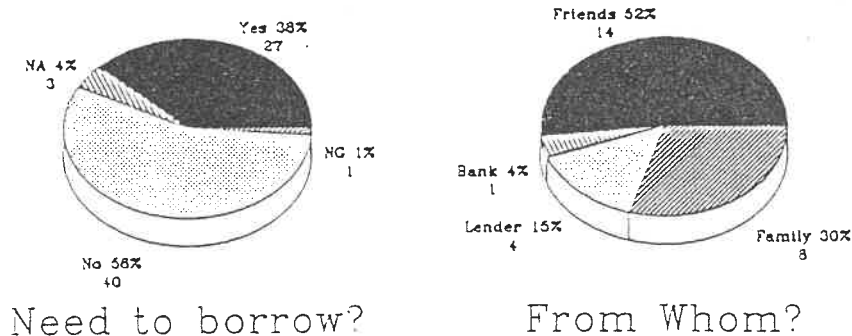
themselves as self employed. Five traders responded that they are employed by other businesses or individuals. Two of these work for their mothers, one for an Indian clothes shop, one for a general dealer and one for a fruit shop. Direct formal employment thus accounts for only 4% of the sample. It is clear then that direct linkages to the formal sector via direct employment don't exist to any meaningful degree. By and large, formal businesses such as fruitiers and clothes shops do not appear to be using hawkers to open cheap "branches" in Retief Street. Only three such cases were recorded in the sample.

#### 4.3 Loans and venture capital

Some 38% of the sample needed to borrow money to set up the business. The breakdown of the source of this money is represented on the pie-graph below. In short, the bulk of this money comes from family or friends (81%) and informal money lenders (15%). Only one street-trader borrowed money from a bank.

# RETIEF STREET PROJECT

## Borrowing



At the level of raising initial working capital, it would seem then that informal street-traders in Pietermaritzburg are not as dependent on the formal sector as some of the literature on the informal sector suggests.<sup>15</sup> No evidence was found of formal business offering loans to street-traders. And, as the next section suggests, very little credit generally is offered. Venture capital and operating loans tend to be raised outside formal financial institutions, with friends and family being the most popular source.

### 4.4 Credit

Little over 8% of those interviewed reported that they are

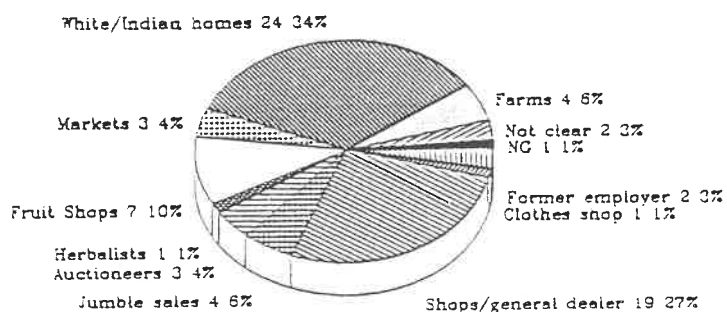
given credit by their suppliers. Many argue that the nature of their business does not warrant operating on credit, while others said that they do not receive credit because of the risk attached to their kind of business. Either way, it would seem that the street-traders in the Retief Street area do not rely on credit from the formal business community. Whether the lack of access to credit facilities hinders the development of these enterprises is a question that was not explored in the survey. It is, however, envisaged by the Siphamandla Hawkers and Vendors Association that small loans will be made available via the Association at some time in the future by using pooled subscription fee income (see Chapter 5).

#### 4.5 Source of goods

One of the areas where many informal street-traders are indeed linked to the formal sector is through their suppliers of goods. While 42% of the general sample procure their goods through informal means (jumble sales, door to door begging in White and Indian areas and from previous domestic employers), 52% purchase goods from formal business concerns (farms, markets, shops and auctioneers).

## RETIEF STREET PROJECT

### Source of goods



N=71

Food sellers and clothing sellers differ in the way that they link in with the so-called formal sector in terms of the source of their goods. Generally food sellers tend to acquire their goods via formal business channels with 94% of these traders purchasing their goods in this way. On the other hand, clothing sellers tend to look towards informal means when acquiring their goods with 74% acquiring their goods through jumble sales, door- to-door collections and from previous employers. The following table shows the distinct differences between clothing sellers and food sellers when it comes to the nature of the source of goods.

TABLE 3  
SOURCE OF GOODS ACCORDING TO TYPE OF TRADER

SOURCE	CLOTHING SELLERS	%	FOOD SELLERS	%	COMBINED	%
FORMAL	7	18	30	94	37	52
INFORMAL	29	74	1	3	30	42
NOT GIVEN	3	8	1	3	4	6
TOTAL	39	100	32	100	71	100

It is at this level that street-traders are most directly linked to the formal business sector. Fruit traders and other food sellers are especially dependent on formal fruit shops and markets for their produce. Given the perishable nature of their goods, these traders are forced to buy in small, relatively expensive quantities. Coupled with storage and refrigeration constraints, it is impossible for these traders to benefit from bulk buying. While I have no empirical evidence to support this, it would seem that street-traders must be an important market for fruit shops and markets in the area. Furthermore, with the exception of the single male vehicle owner, none of the traders have access to vehicles to transport goods, making them virtually dependent on local businesses for their purchases. The street-traders are thus almost powerless to prevent being exploited by overpricing. One of the strategies that the hawkers are using to combat this is by directly negotiating better fresh produce prices with agricultural boards via the Siphamandla Hawkers and Vendors Association. <sup>16</sup>



#### 4.6 The Street Trading Working Group

In the past Pietermaritzburg, and indeed many other major centres in South Africa, have hardly welcomed the growing phenomenon of pavement traders. This tatty, unkempt group of economically marginal people was not the sort of thing a good city wanted on its pavements. Yet this group proved to be more resilient and hardy than expected. Strict licensing laws, vagrancy legislation and health regulations and the accompanying fines were not enough to remove "the great unwashed" from the city's streets. In recent years, however, a trend towards developing the so called informal sector appears to be emerging, albeit in carefully controlled ways. The problem of rising unemployment and a relatively poor formal sector growth rate have prompted both central government and local authorities to look towards the "hidden economy" as a possible solution.

Pietermaritzburg, on the face of it, recently seems to have adopted a policy of accommodating street-traders, rather than simply moving them out of the urban environment. In November 1987 The Siphamandla Hawkers and Vendors Association was set up by the city's street-traders with the help of local black businessmen, Messrs Freese and Hlope. This Association was set up in response to official harassment of the traders. Siphamandla's initial brief was to discuss these grievances with the Mayor and the City Council. The authorities responded positively and have

subsequently set up the Street Trading Working Groups which was chaired at the time of writing by Mr Brian Bassett who is the Assistant City Engineer. Mr Freese and Mr Hlope also sit on this group as Siphamandla representatives.

The City Council, on the advice of the working group, is presently working on a scheme whereby street-traders will be accommodated in fixed, sheltered trading areas. There are 7 planned areas. Work on the first area in Retief street is complete and shelter now exists for some 100 hawkers in the area. The other proposed sites, which are all close to present hawking areas, are; Berg Street; two in East Street; Railway Street; West Street and Churchill square. The initial phase was funded by BP South Africa, the City Council and the Urban Foundation to the tune of some R40 000.

Although Retief Street hawkers have moved into the new trading area adjacent to the bus terminus, conditions there are still far from ideal. Just prior to the opening of the shelters, a quarter of the traders in the area expressed concern that the new area would not be effective in trapping passing trade as it curtails ability to move to where the trade is. As previously argued, the area is characterised by two 'types' of traders, those selling fruit and those selling clothing. It is unlikely that the concentrated trading area will be able to support a large number of sellers trading similar goods, especially since these traders work on such marginal returns. The strength of this kind of

trading lies in a high degree of flexibility to move to where the business is. The fixed trading areas do not allow for this. In addition to this, a recent visit to the area on a rainy day showed that the new structures provide very little shelter against the rain and wind. Indeed, the shelter offered by the bus-shelter is far more effective.

The City Council's involvement in setting up fixed trading shelters must be seen in the context of their August 1987 resolution to discourage all pavement traders. The Natal Witness reported on 18 August 1987 that "During debate on the issue Mr Harry Dyason said he thought that pavement traders were moving quickly into the central business district (CBD) and should be stopped." The Chamber of Commerce, however, stressed the need to establish trading areas rather than removing street-traders. The Council seems to have adopted this strategy. The important point, however, is that the City Council's priority is to control street trading rather than to promote it. In an interview with the Chairman of the working group on street-traders, Mr Brian Bassett, He stated that once present members of Siphamandla have been accommodated in the trading areas prosecutions will resume. Effectively this means that the Council is placing a ceiling on the number of traders in the urban area and at the same time is strictly controlling where they operate (via the Siphamandla Hawkers and Vendors Association). This strategy, while similar, is more sophisticated than past measures as the traders could find that they are actually controlling themselves through their

Siphamandla membership.

While it would be unfair to say that Pietermaritzburg's City Council is out to rid the city of all hawkers and vendors - indeed the city is more accommodating to the street trading sector than most - it would be naive to believe that simply by moving traders to new locations and legalising those that comply, the "problem" is going to go away. As unemployment and urbanisation increase so will the tendency towards informal trading. It's no use simply turning dirty areas where pavement traders work into pretty markets. Real problems that need to be addressed include, skills acquisition and the possibility of setting up buying cooperatives.

## CHAPTER 5

### THE SIPHAMANDLA HAWKERS AND VENDORS ASSOCIATION

#### 5.1 History

November 20 1987 saw the legal establishment of Siphamandla Hawkers and Vendors Association. The launch was attended by the mayor Mr Mark Cornell, local Chamber of Commerce representatives and the street-traders. The first issues dealt with revolved around negotiations with the city council, commerce and representatives of the street-traders. These negotiations led to the formation of the Street Trading Working Group which was set up as a forum to discuss the development of street trading. It was in this forum that the concept of fixed trading areas (see 4.6) was initialised. Siphamandla has since expanded beyond the Pietermaritzburg region and has set up branches in the areas outlined in the table below. In addition to these areas, the Association is planning to set up branches at Kraanskop and at Mthwalume along the south coast.

#### 5.2 Membership

On 14 July 1989 official Siphamandla membership stood at 1671 for the Natal region. 308 of these are signed up in the Pietermaritzburg CBD. Membership in other regions is represented in the table below.

Street-traders, on joining Siphamandla, are required to pay a R7.50 per month subscription fee. This fee is intended for administrative purposes, setting up loan and bursary funds, and maintaining a crèche for the children of street-traders. At present subscription income appears to be used primarily for the administrative expenses of maintaining an office which is staffed by a number of full-time employees. Members are issued with a membership card, and only card holding members of the Association stand to benefit from the potential benefits offered by the organisation.

Most street-traders in the Retief Street area (85.5%) regard themselves as members of Siphamandla, and of these 93% pay their subscription fee of R7.50 per month. Membership in the Pietermaritzburg area stands at 370, while total membership in the province stands at 1671. A breakdown of this membership by region is set out in the table below.

TABLE 4  
SIPHAMANDLA MEMBERSHIP BY REGION

REGION	MEMBERSHIP
Siphamandla (Pmb CBD)	308
Bambanani (Edendale)	62
Zakheni (Hammersdale)	528
Hlanganani (Bulwer)	438
Masibumbane (Dbn CBD)	67
Asibemunye (Richmond)	68
Sizanani (Port Shepstone)	200
TOTAL	1671

### 5.3 Relations with other street-trader organisations.

In 1988 discussions around the possible incorporation of Siphamandla into the African Council of Hawkers and Informal Businesses (ACHIB) were held with Mr L.B. Mavundla, its president. These attempts, however, failed due to a dispute around affiliation fees.

### 5.4 Sponsors and projects

As outlined in 4.6 above, Siphamandla and the Street Trading Working Group are involved in a scheme whereby 7 fixed trading areas are planned. The first area, in Retief Street, has already been completed. The first phase of the project was funded by BP South Africa (R20 000), a R10 000 loan from the Urban Foundation and a further R10 000 from the Pietermaritzburg City Council. In addition to this, Hulletts Aluminium agreed to donate some of the building materials.

Negotiations are underway with the city council to set up a crèche for the street-traders who have young children.

The Association has stated its aim to set up bursary and loan pools with subscription revenue to help with the education of the street-trader's children.

The council has made available office accommodation to the Association at low rental.

Siphamandla has sealed an agreement with the banana board whereby hawkers, through the Association, can buy this produce directly from the board at below-market prices.

#### 5.5 Attitudes of street-traders towards the Association

As is the case with hawker incomes and their source of goods, it is possible to identify two definite groups within the street trading community in the Retief Street area. Hawkers selling clothing have markedly different attitudes towards Siphamandla to their food selling colleagues.

Food traders, on the whole, are quite positive towards Siphamandla with 61% reporting that things have improved since the Association was started. Only 26% feel that there has been no improvement while 13% are unsure. Clothing traders, on the other



hand, are less impressed with the organisation with 43% arguing that there has been no improvement, 11% saying that they are unsure and only 46% reporting that things have improved with the Association's influence.

TABLE 5  
ATTITUDES TOWARDS TRADING CONDITIONS SINCE BECOMING MEMBERS  
OF SIPHAMANDLA - ACCORDING TO TYPE OF TRADER

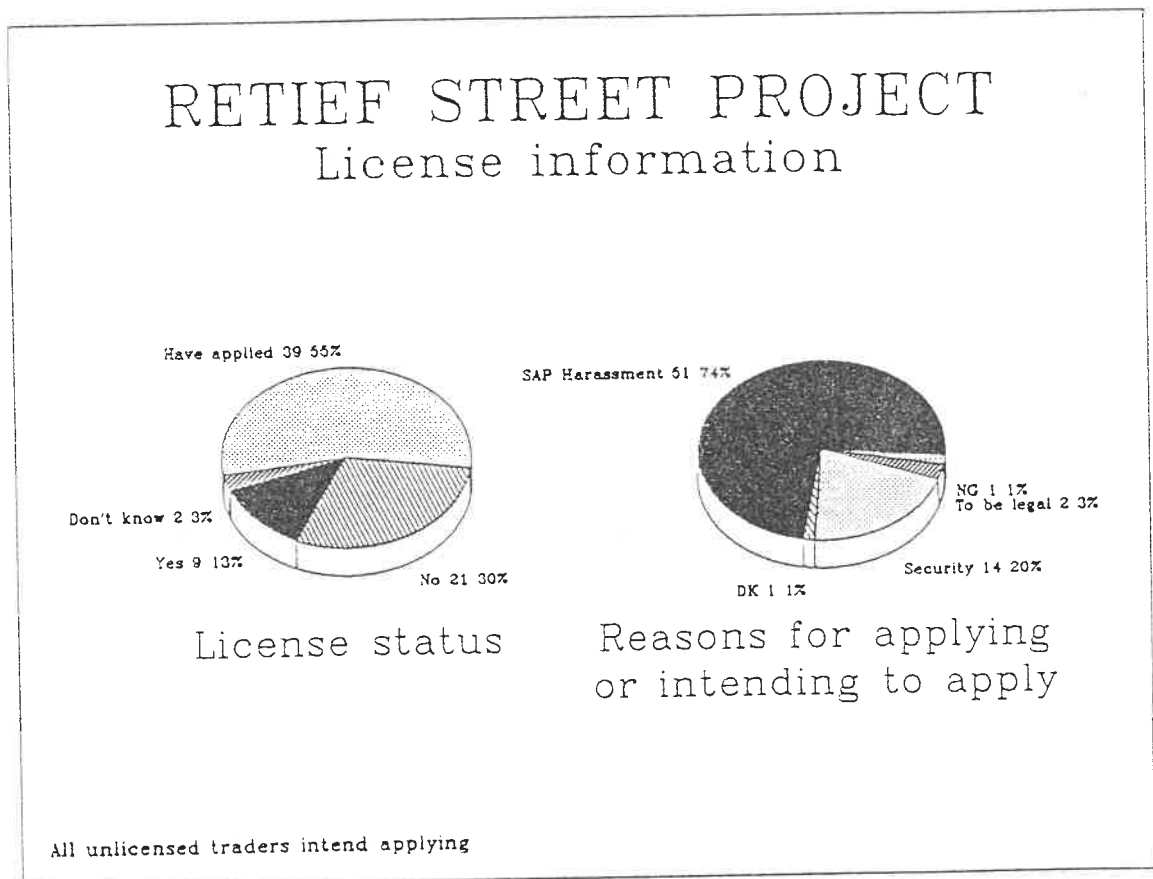
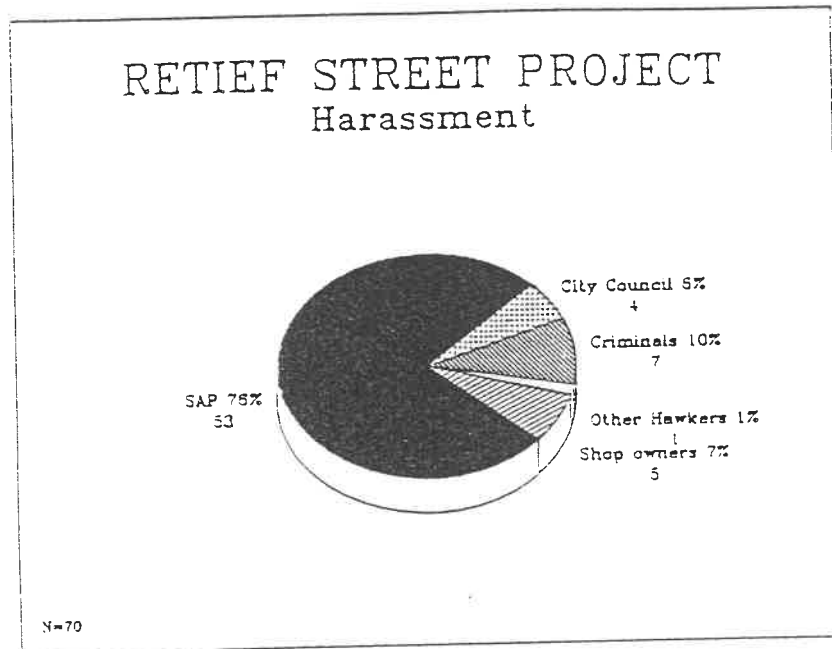
TYPE OF TRADER	IMPROVEMENT	%	NO IMPROVEMENT	%	UNSURE	%
CLOTHING	17	46	16	43	4	11
FOOD	14	61	6	26	3	13
COMBINED	31	51.7	22	36.7	7	11.7

One possible reason for the differing attitudes of these groups of street-traders can be traced to the type of service that Siphamandla provides. Clothing traders obviously do not benefit from deals made with agricultural boards such as the banana board whereas many food sellers do.

#### 5.6 licensing and harassment

Siphamandla is in the process of applying for licenses for its members in some areas. A total of 262 applications were lodged in mid 1988. As yet most of the street-traders in the area surveyed are unlicensed (85%), although all of these have either applied (65%), or intend applying (35%). The most common reason for wanting a license is to avoid South African Police (SAP)

harassment. 75% of those surveyed have experienced harassment of some sort from the SAP.



## 5.7 Leadership problems

By mid 1989 the two founding officials, Mr Deda Hlope and Mr Leonard Freese, had fallen out with each other with various allegations against each other coming from both quarters. Freese's allegations against Hlope revolve around misuse of the Association's finance and a complaint that the R7.50 per month subscription fee is too high for the street-traders. Hlope alleges that Freese deliberately misled the street-traders by continually informing them that they were represented by the Chamber of Commerce while in fact the Association had only become affiliated in 1989.

While both leaders appear to command some support among the street-traders, Mr Deda Hlope seems to have consolidated enough support to be in control of the organisation at present. He seemed in full control at a function on 19 November 1989 to open the Association's new offices. The meeting was attended by the Mayor, the City Engineer, a City Councilwoman, the City Licensing Officer and a prominent Johannesburg academic, all of whom seemed to regard him as the sole leader of the organisation. The Mayor, while referring to the conflict had this to say to those gathered - "Don't let those few people get the better of you, the majority. " 17

It would appear that Hlope has been given the green light by the City Council. This is significant as the Council controls

considerable resources that are essential for the running of the Association. The Council has been one of the organisations principal donors and, after all, the offices that were being opened at this function are owned by the council!

## CHAPTER 6

### CONCLUSION

The findings of the Retief Street survey are significant in a number of ways in that they go some way towards clearing up some misconceptions about the so-called informal sector. Noting that even within the seemingly homogeneous street trading community in Retief Street there exist two quite distinct groups, or categories of trader. Clothing sellers and fruit sellers differ significantly in their life experience in terms of income, dependency linkages with the 'formal' sector, and in their attitude to Siphamandla. It becomes clear that one cannot even speak of a group of street-traders operating in the same geographical area as comprising an homogeneous group. It is certainly then not possible to speak meaningfully about the 'informal sector'. Certainly, each type of enterprise or activity will have its own unique set of features and dynamics. Accordingly it is more useful to examine how different elements of the urban economy relate to one another rather than to speak of the 'informal' and 'formal' sectors in vague general terms. <sup>18</sup>

Ever since the ILO's seminal work on employment creation schemes for Kenya in the early 1970s, <sup>19</sup> many planners and development theorists have adopted the view that by stimulating and developing the 'hidden economy', problems such as unemployment and low economic growth can be addressed. While it is true that

street trading, as an activity, provides a source of livelihood to a significant number of people and as such is important as an employment provider, the activity cannot be seen as being highly lucrative. With almost two thirds of the traders over 40 years old and with the average period worked in the same trade standing at 14 years, it is clear that this kind of activity cannot be seen as an easy stepping stone into the urban wage economy. With 43% of those surveyed not even considering 'formal employment', and the average monthly income at below R200.00, it is clear that street trading is more of a survival strategy than an occupation that promises upward mobility.

The results of the survey suggest that street-traders are not heavily dependent on formal businesses for venture capital and credit. Generally, formal businesses do not employ traders to serve as a low cost 'branch' of the business, although there are isolated incidences of this occurring. It is at the supply of goods stage that street-traders (particularly food and fruit sellers) are most directly linked to the formal business sector. Because they turn over relatively small amounts of stock, and because most of the food has a very short shelf life, street-traders are forced to purchase in small expensive quantities.

Although Siphamandla Hawkers and Vendors Association has made progress in setting up sheltered areas for hawkers, negotiating a moratorium on official harassment and organising cheap bulk buying, membership fees are excessively high at R7.50 per month

per trader. While the traders have escaped, albeit temporarily, the heavy admission of guilt fines for illegal trading, they are now forced to pay 'protection money' of sorts. It seems as though Siphamandla membership cards have *de facto* replaced licenses and it looks as though all future license applications will be handled via the Association. Non-cardholding traders will not benefit from any of the gains that the Association has made.

## Notes

<sup>1</sup> The area surveyed includes that area of Retief Street that lies between Boom and Church Streets. It also includes Berg Street between James and Retief Streets. The Retief Street bus terminus is thus included and forms the central point of the area surveyed. For a map of the area see Appendix 2.

<sup>2</sup> Market Information refers to that section of the questionnaire that was designed to test the attitudes of the traders towards their present trading location as well as their attitudes towards the new fixed trading area that was in the process of construction at the time of the survey.

<sup>3</sup> For a copy of the questionnaire schedule see Appendix 3.

<sup>4</sup> One of the main reasons why this part of the survey was planned to be completed in one day is that the street trading population is fairly fluid and that it may indeed vary significantly from day to day. In addition to this, there are actors in the informal sector, most notably SIPHAMANDLA HAWKERS AND VENDORS ASSOCIATION, who may have an interest in attempting to influence the way that respondents answer certain questions.

<sup>5</sup> Rogerson, C.M., 1988: 'Late Apartheid and the urban informal sector', in J. Suckling and L. White (eds.), *After Apartheid: renewal of the South African economy*, Currey, London. p. 132 - 145.

<sup>6</sup> Echo (Supplement to *The Natal Witness*), 22 December 1988, p. 19.

<sup>7</sup> Nelson, N., 1979: 'How women and men get by: the sexual division of labour in the informal sector of a Nairobi squatter settlement' in Bromley, R. and Gerry, C. *Casual Work and Poverty in Third World Cities*, Wiley, Chichester. p. 299.

<sup>8</sup> The survey did not attempt to explore issues such as form of tenure.

<sup>9</sup> Most of the street traders did not have a fixed routine of income and expenditure, making it difficult for them to report accurate income figures. Where income figures are unknown or omitted they have been categorised as not given. 35% of the responses fall into this category.

<sup>10</sup> Welling, P. and Sutcliffe, M., 1984: '"Developing" the urban informal sector in South Africa: the reformist paradigm and its fallacies', in *Development and Change*, 15. p. 527. Adjusted by using the Central Statistical Services consumer price index figures for the lower income group.

<sup>11</sup> Of the 71 households represented in the sample, no information around household income was given in 17 cases, while incomplete



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information was given in a further 15 cases. In the latter figure the hawker or vendor concerned did not know the income of all the household members. 39 complete household figures were thus obtained.

12 Welling, P. and Sutcliffe, M., 1984: '"Developing" the urban informal sector in South Africa: the reformist paradigm and its fallacies', in *Development and Change*, 15. p. 535.

13 Welling, P. and Sutcliffe, M., 1984: '"Developing" the urban informal sector in South Africa: the reformist paradigm and its fallacies', in *Development and Change*, 15. p. 535.

14 Using 1986 cash wage figures for full-time domestic workers as supplied by the Central Statistical Services and adjusted to 1989 levels using their CPI index figures for the low income group, the average cash wage for domestic workers was found to be R2045.03 per annum or some 11% lower than the R2300 average found among the street traders.

15 For example, see Bromley, R., 1978: 'Organisation, regulation and exploitation in the so-called "urban informal sector": the street traders of Cali, Colombia' *World Development*, 6, pp. 1161-1171.

16 Siphamandla has negotiated a deal with the Banana Board whereby bananas can now be purchased directly from the board, cutting out the middleman mark-up. It is not certain how effectively this scheme is operating at present.

17 Comments made during the opening of the new Siphamandla offices on the 19 November 1989.

18 This argument forms the basis of the model presented by Caroline Moser called the 'Petty Commodity Production' model which focuses on relationships between different elements of the urban economy, rather than defining two distinct sectors.

19 ILO, 1972: *Employment, Incomes and Equality: a strategy for increased productive employment in Kenya*, International Labour Office, Geneva.

APPENDIX 2



APPENDIX 3

RETIEF STREET PROJECT  
QUESTIONNAIRE  
1989

## DETAILS OF INTERVIEW

Date: \_\_\_\_\_

Time commenced: \_\_\_\_\_

Time concluded: \_\_\_\_\_

Area: \_\_\_\_\_

Interviewer: \_\_\_\_\_

## INTRODUCTION

This survey is being undertaken by the Development Studies Research Group (DSRG) which is a privately funded research body in the Department of Economics at the local university.

It is the aim of this research to develop a better understanding of the problems encountered by the informal sector, and hawkers and vendors in particular. This information could then be used in a variety of constructive ways.

Information given to interviewers will be treated with complete confidentiality. No individual information will be published or distributed to any other agency - Governmental or non-Governmental. Only totals or averages will be made available to the public. In particular, no information about licensing or harassment will be passed on to the authorities.

# PERSONAL INFORMATION

1. Name: \_\_\_\_\_
2. Address: \_\_\_\_\_
3. Area where Interviewee works: \_\_\_\_\_  
\_\_\_\_\_
4. Age: \_\_\_\_\_
5. Sex: \_\_\_\_\_
6. Position in household: \_\_\_\_\_
7. Household profile:

Name	Sex	Rel to head	Age	Marital status	Educ	Occupation	Labour market status	Approx monthly income
1								
2								
3								
4								
5								
6								
7								
8								
9								
10								
11								
12								

- Notes:
- a. Relationship to head - use Head as the logical centre. For example - H's son, H's wife etc.
  - b. Marital status - use married, single, divorced, separated or widow/er.
  - c. Education - If post-school, incl highest school standard.

- d. Occupation - Here list whether at school, unemployed, pensioner, type of job etc.
- e. Labour market status - Every person in the working age group must be classified into one of 5 categories. If they happen to fall into two categories, use the main activity as the basis for classification and mention the other activity here.

Employed	E	Has paid job: full-time or part time by choice
Self-employed	SE	Own business, share in business working part time on own account eg. dress making at home.
Under-employed	UE	Employment or self-employment seriously deficient with respect to hours, type of job (skills), pay - not simply job satisfaction.
Unemployment	U	Not working (in any of the above) and seeking work.
Not in labour force	NLF	Not working and not seeking work, eg students, disabled, housewife etc.
Pensioner	P	Someone who is on state or private pension (regardless of whether they are still working or not).

f. Income - give all income, incl pensions etc.

8. Where were you born? \_\_\_\_\_

9. How long has your family lived in Pmb? \_\_\_\_\_

10. Why did they/you move here? \_\_\_\_\_


11. Do you live in any of the following?:

Your own house		1
A rented house		2
A rented room		3
With your parents		4
hostel		5
boarding		6
other - specify		

INFORMAL SECTOR PROFILE

12. Type of trader:

Fruit and veg		1
non-food		2
Food		3
Herbs		4
combination - specify		
Other - specify		

13. If non-food, specify:

Jewellery		1
Clothing		2
Curios		3
Baskets		4
Leather goods		5
combination - specify		
Other - specify		

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Note: Specify whether homemade (HM) or bought (B).

14. Do you always sell the same goods?

Yes		1
No		2

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15. If no, specify: \_\_\_\_\_

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16. If yes, why?: \_\_\_\_\_

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17. Do you always work in the Retief Str area?:

Yes		1
No		2

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18. If yes, why: \_\_\_\_\_

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19. If no, where else do you work?: \_\_\_\_\_

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20. Do you have a place to store your goods at night?

Yes		1
No		2

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21. If no, do you want such a place?

Yes		1
No		2

22. If yes to question 17., where is this storage? \_\_\_\_\_

23. Are you happy with this storage place?

Yes		1
No		2

24. If no, specify: \_\_\_\_\_

25. Why did you start hawking or vending?

No other job		1
Parents used to hawk		2
It pays well		3
Other - specify		

26. How many years have you done this type of work? \_\_\_\_\_

27. Give details of any previous work: \_\_\_\_\_

28. Give reasons for quitting: \_\_\_\_\_

29. What time do you start working each day?: \_\_\_\_\_

30. What time do you stop working each day?: \_\_\_\_\_

31. Do you employ others to assist you?

Yes		1
No		2

32. If yes, why?: \_\_\_\_\_

33. Are you looking for a formal job?

Yes		1
No		2

34. If yes, why?: \_\_\_\_\_

35. If no, why not?: \_\_\_\_\_

#### INCOME AND ASSETS

36. What is the value of goods sold daily? \_\_\_\_\_

37. What is the cost of goods bought daily? \_\_\_\_\_

38. What is your daily profit? \_\_\_\_\_

39. Does this profit remain consistent?

Yes		1
No		2
DK		3

40. How many days a week do you work? \_\_\_\_\_

41. If no, specify: \_\_\_\_\_

42. Do you save?

Yes		1
No		2

43. If yes, how much per month?: \_\_\_\_\_

44. If no, why not?: \_\_\_\_\_

#### RELATION TO THE BUSINESS, FINANCE AND PUBLIC SECTORS

45. Are you self-employed?

Yes		1
No		2

46. If no, give details of your employer (Name and type of business) \_\_\_\_\_  
\_\_\_\_\_

47. How much money did you need to start your business?

48. Did you need to borrow to raise this cash?

Yes	<input type="text"/>	1
No	<input type="text"/>	2

49. If yes, specify:

1 Friends	<input type="text"/>	1
2 Bank	<input type="text"/>	2
3 Money lender	<input type="text"/>	3
4 Family	<input type="text"/>	4
5 Business - specify	<input type="text"/>	5
Other - specify	<input type="text"/>	

50. Who do you buy your goods from? - give details:

51. Do businesses offer you credit?

Yes	<input type="text"/>	1
No	<input type="text"/>	2

52. If yes, give details: \_\_\_\_\_

53. If no. why not?: \_\_\_\_\_

54. If yes, do these shops insist that you buy from them?

Yes	<input type="text"/>	1
No	<input type="text"/>	2

55. Are you licensed?

Yes		1
No		2
Have applied		3

56. If yes, how much was the licence fee? \_\_\_\_\_

57. Why did you apply for a licence? \_\_\_\_\_

58. If no, do you intend applying for one?

Yes		1
No		2

59. If yes, why?: \_\_\_\_\_

60. If no, give reasons: \_\_\_\_\_

61. Have you experienced harassment from the following?

1 The SAP		1
2 Shop-owners		2
3 Other hawkers or vendors		3
4 Criminals		4
5 The City Council		5
Others - specify		

62. If no, why do you think this is so?: \_\_\_\_\_

63. If yes, give details: \_\_\_\_\_

64. Do you belong to the Siphamandla Hawkers and Vendors Association?

Yes		1
No		2

65. If yes, how much do you pay to be a member per month?

\_\_\_\_\_

66. What does Siphamadla do for you? \_\_\_\_\_

\_\_\_\_\_

67. Have things improved since you joined Siphamandla?

Yes	<div></div>	1
No	<div></div>	2
DK	<div></div>	3

68. If yes, give details: \_\_\_\_\_

MARKET INFORMATION

69. Are you happy trading in this area?

Yes	<div></div>	1
No	<div></div>	2

70. If yes, give reasons: \_\_\_\_\_

71. If no, give reasons: \_\_\_\_\_

72. Do you know about the new trading areas that are being set up for the informal traders?

Yes	<div></div>	1
No	<div></div>	2

73. If yes, do you intend operating from one of these areas?

Yes	<div></div>	1
No	<div></div>	2
DK	<div></div>	3

74. If no, give reasons \_\_\_\_\_

\_\_\_\_\_

75. Who are your most frequent customers?:

Regular customers		1
Passing trade		2
Dont know		3
Other- specify		

76. How do you attract customers?

Displaying goods		1
Word of mouth		2
Signboards at stall		3
Other - specify		

77. Do you consider yourself to be in competition with:

Small Businesses		1
Supermarkets		2
Other hawkers & vendors		3
No competition		4
Other - specify		

78. Has violence in the area affected your work in any way?

Yes			1
No			2

79. Please elaborate if you answered yes above:

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80. If the violence has not affected you, why do you think this this is so?

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