The Informal Sector's Role in Food Security – A Missing Link in Policy Debates?

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Outline

- Context – project and food security debate
- Size of the informal sector, role of retail, food retail and changes over time
- Informal verses formal sector's role in food access
- Supermarket penetration – implications for informal retailers and food security
- Food security: SA realities and policy
- Informal sector policy: national, provincial and city
- Concluding thoughts

Context: Project

- This paper forms part of the Centre of Excellence in Food Security project **State of Knowledge Review: The agrifood value chain, regulation, and formal and informal livelihoods**
- This paper focuses on the informal livelihoods and regulation (policy environment).
- The task was to review existing evidence and to identify policy relevant research gaps.

Context: Food Security Debates

- Four critical dimensions of food security - availability, access, utilization and stability. Food security debates have disproportionately focused on availability.
- Crush and Frayne (2011: 544) note that the new global and African food security agenda is ‘overwhelmingly productionist and rural in its orientation, and is based on the premise that food insecurity is primarily a rural problem requiring a massive increase in smallholder production’.

Context: Accessibility

- Crush and Frayne (2011b: 781) expand on the notion of access, noting that it ‘hinges primarily on the individual or household’s ability to purchase foodstuffs, which in turn depends on household income, the price of food and the location of food outlets’.
- This may be so but we argue that access is also about the mechanisms that enable or hinder access such as spatial planning, food system inequalities, the ‘Big Food Transition”, etc. – as such accessibility is also facilitated through policy, governance and the market, across scales.

The Size of the Informal Sector

Employment in the Informal Sector

(as % of non-agricultural employment)

South Asia: 69%
East and Southeast Asia (excluding China): 57%
China*: 22%
Sub-Saharan Africa: 53%
Latin America and the Caribbean: 34%

* Estimates for urban China based on six cities

Source: Vanek et al, 2014: 10

SA's Informal Sector

Size: According to the April to June 2016 Quarterly Labour Force Survey statistics, 2 565 000 South Africans work in the informal sector (2016: vi). Although far smaller than our developing country counterparts, this still represents 16.4% of total employment in the country.

Employment of women: In the second quarter of 2016, 960 000 women were recorded to be in the informal sector, constituting 38% of total informal sector employment (2016:2). This is down from 45% in Q1 2008.

Contribution to GDP: 5.2% (Stats SA, 2015)

Foreign migrants: Key participants - not well captured in national survey data.

Informal Trade

Trade: Predominate activity. Q2 2016 1 015 000 or 40.5% of those working in the informal sector were trading. Trade however is declining as a percentage of the total informal sector employment (Q2 2008, 46%; Feb 2000, 53%).

Food trade: Informal retail appears to be dominated by food trade. Q3 2014 67% of street traders were selling food.

These data suggest – significant changes in the SA informal sector that are in need of further investigation.

It however remains a key source of employment and income for poor households – thus assisting with food access.

Formal – Informal Linkages

The informal sector is not isolated and / or operating outside of the formal sector.

It is not a uniform sector which can be categorized as a single system but a collection of many systems, operating at multiple horizontal and vertical scales.

The informal and the formal sectors are closely linked with mutual trade and exchanges taking place between them.

A significant proportion of the final point of sale for many of the big formal retail players – Massmart, Unilever, South African Breweries among others – is the informal sector.

Informal Verses Formal Sector's role in Food Access

Informal Food Economy & Access

AFSUN food security surveys conducted in a total of 6 453 households in eleven Southern African cities.

The survey found that some 70% of households normally sourced food from informal outlets (Crush and Frayne, 2011:799).

The survey also asked frequency of purchase by outlet.

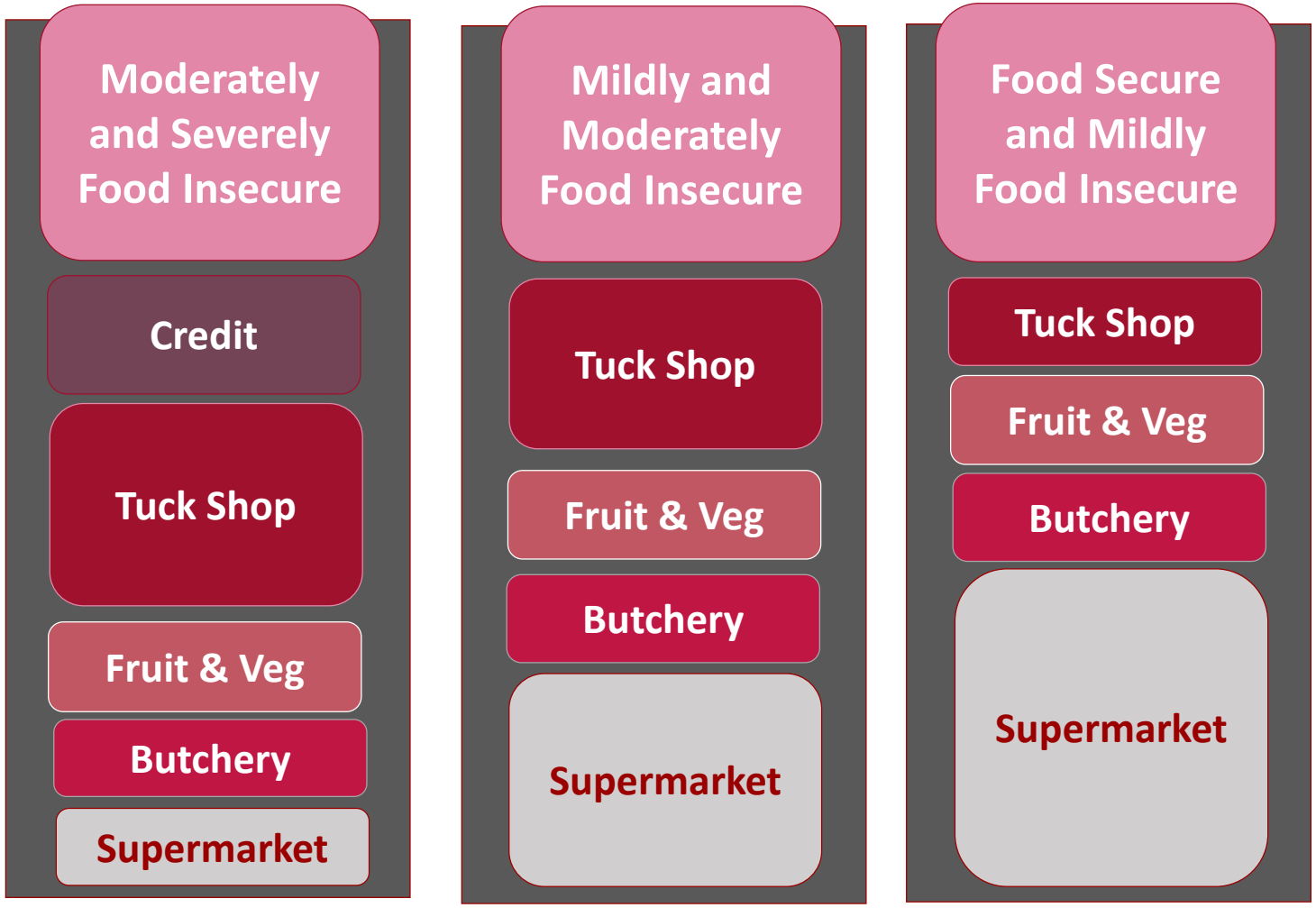
- 32% of households patronised the informal food economy almost every day
- 59 % did so at least once a week (2011: 800-2).

Sources normally used to obtain food (% of households)

	Cape Town	Mzunduzi	Johannesburg	AFSUN Total
Informal market / street food	66	42	85	70
Small restaurant / shop / take away	75	40	80	68
Supermarket	94	97	96	79
Food transfers from rural household	17	24	14	28
Urban agriculture	5	30	9	22
Borrowed food from others	29	24	6	21
Shared meals with neighbours and or other household	45	18	14	21
Food provided by neighbours and or other household	34	21	13	20

Source: Adapted from Crush and Frayne, (2011:799)

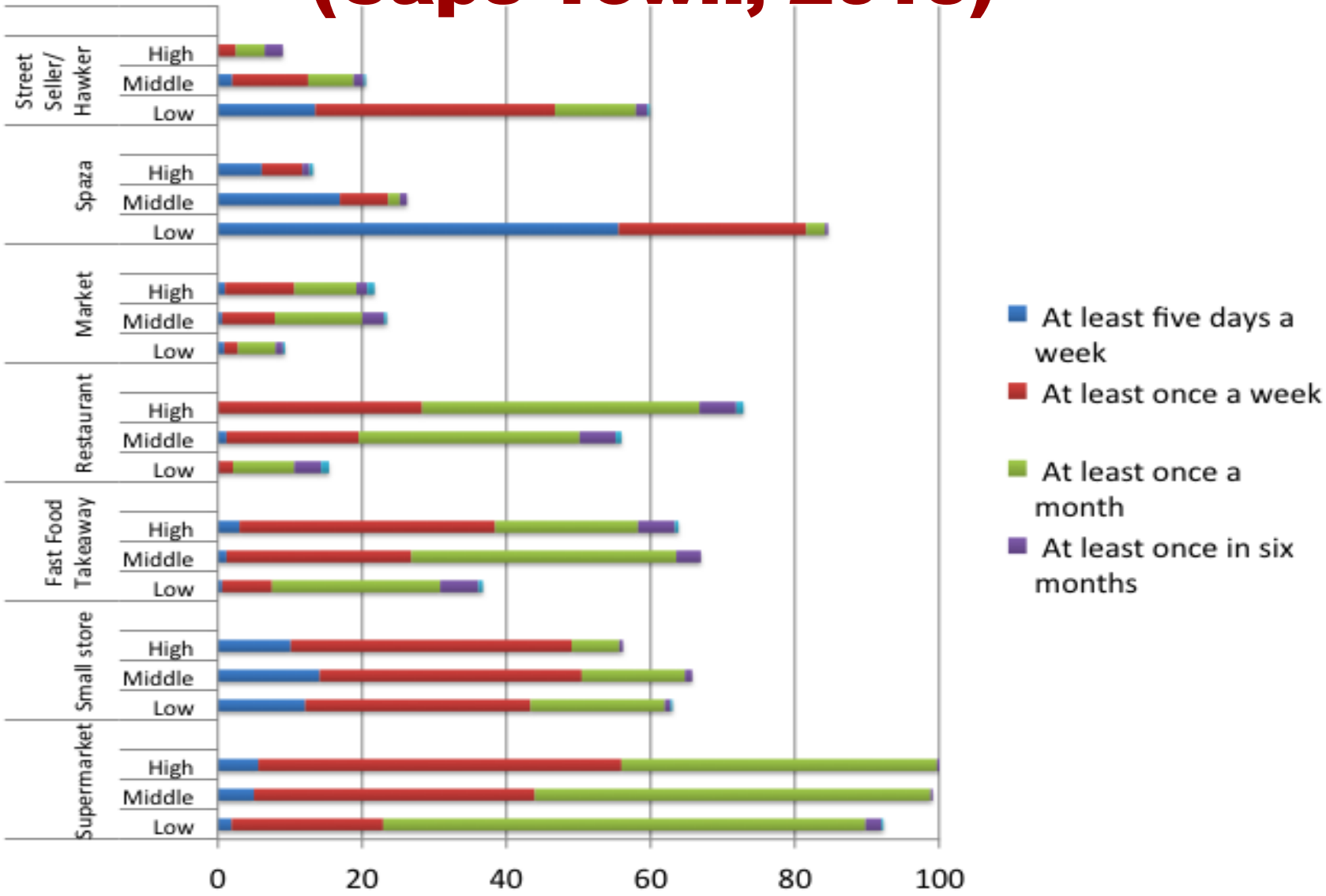
Case study: Manenberg Cape Town (Ward 45)



This research made use of a FANTA food security assessment tool called the Household Food Security Access Survey (HFIAS), a measure which purports to provide a reflection of the absolute access to food and access to appropriate food choices (n25)

Cooke, K. (2012)

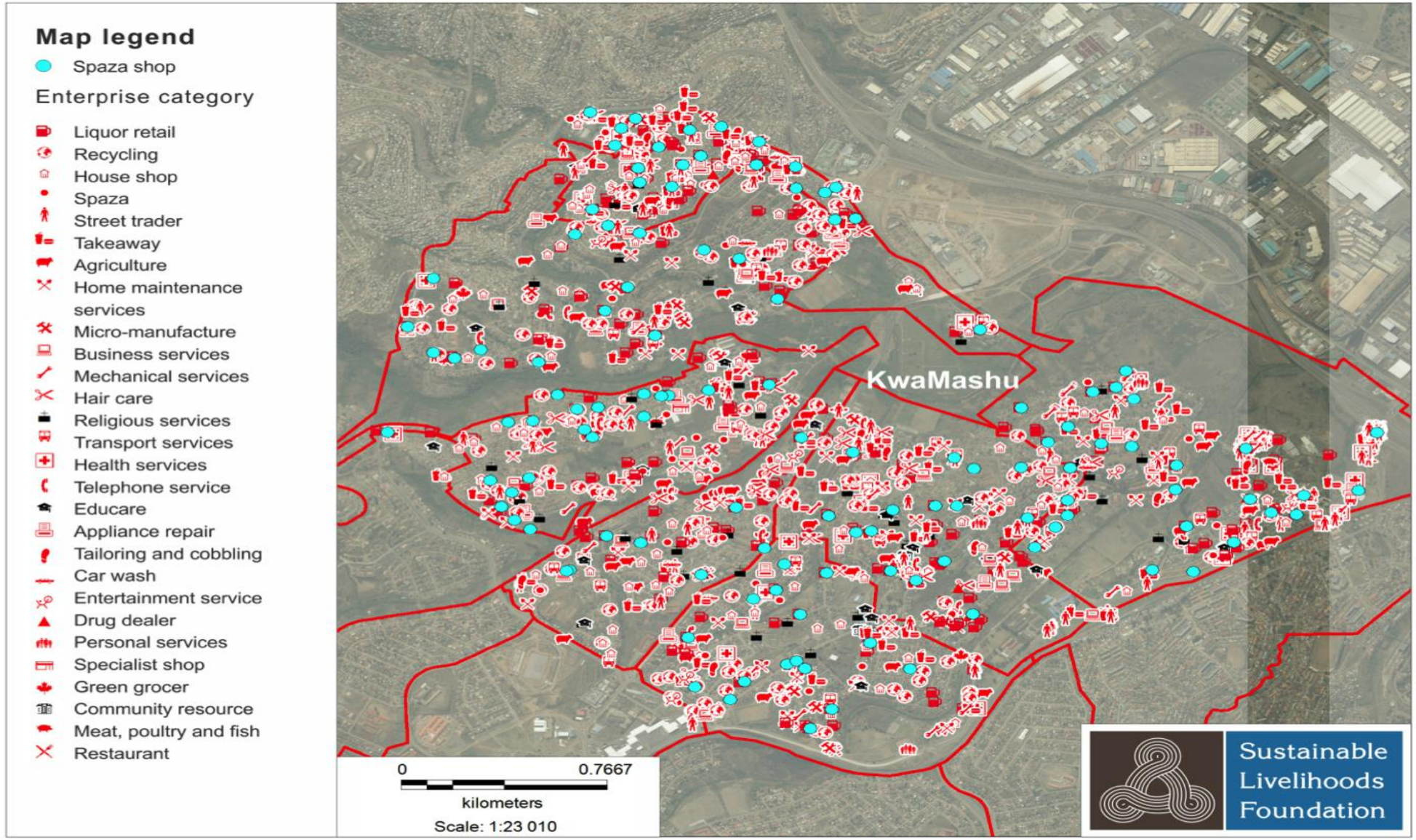
Food Access Typologies by Income Tercile (Cape Town, 2013)



Why Continued Use of the IS - Dimensions of Access

- Spatial accessibility
- Price
- Appropriate quantities
- Appropriate form
- Offering credit
- Other lived realities

Spatial distribution of food outlets in KwaMashu



Supermarket penetration: Implications for informal traders and the food insecure

Supermarket penetration

Rapid supermarket expansion taking place in South Africa, but also through the region – with South African brands leadings this expansion.

Generalisations are problematic, however, poorer areas reflect different store typologies and quite striking differneces in product mix.

Expansion in SA linked to other forms of urban development, particularly the mini-mall model.

Supermarket exapnsion affects not just retail but also wider food system changes.

Implications

Argument that supermarket's greater purchasing power and economies of scale will benefit the urban poor because of lower prices (?)

Do supermarkets make highly-processed foods more spatially and economically accessible?

In some cases this has impacted negatively on informal retail while in others the formal and informal co-exist.

Supermarkets are certainly a point of food access but these are not the only "game in town" and are used interchangeably with the informal sector.

Food Security in SA: Realities and Policy

Food Security – Realities

The SANHANES survey found national prevalence of households at risk of hunger to be 28% and experiencing hunger, 26%.

Equivalent figures in urban informal areas were 32% and 36% respectively.

AFSUN and other case study surveys reflect similar findings – but where food access is increasingly reliant on the market there is greater vulnerability.

Increasing food prices and other price shocks suggest that levels of urban food security are unlikely to improve.

Food Security Policy

Subsequent to MDG process, South Africa attemtped to develop an integrated strategy to address food security – IFSS (2002).

Renewed focus on food security in antional policy debates – but lack of clare strategy - NDP reflects tension between production, calorific intake and even suplimentation …

Emerging trend linking food, nutrition, health, etc.

Rural bias in food security planning remains and reflects a skewed approach to food security.

The National Policy on Food and Nutrition Security (NPFNS) (gazetted in 2014), systematically disregards the food security of accessibility, utilisation and stability, despite making mention of these in how food security is defined.

Informal Sector Policy

National Government 1994 -2004

- 1994-2003 - Informal sector framed as a component of small business, Rogerson's 10 year review of the impact of government's SMME programmes concluded that they have 'to a large extent have by-passed micro-enterprises and the informal economy.'
- 2003 onwards informal sector in the policy spotlight with Mbeki's idea of the 'second economy' that was 'structurally disconnected' from the first.
- Subsequent policy statements aimed at aims include '*eliminating* the second economy' (Accelerated Shared Growth Initiative of South Africa, Jan 2006).

National government
Late 2000's

The 2008 Second Economy Strategy Project however was initiated with cabinet approving its strategic framework in January 2009.

The project highlighted the extent to which 'high inequality is an outcome of common processes, with wealth and poverty in South Africa connected and interdependent in a range of complex ways' and sophisticated suggested interventions.

➡ President Mbeki is recalled in Sept 2008 – a new regime is in place, this strategy a causality in the process.

National Development Plan

- National Development Plan - targets 11 million jobs by 2030, with 90% of new jobs to be created in SMMEs, between 1 171 000 and 2 090 000 jobs to be created in the informal sector.
- Little or nothing is said about a. how existing operators in the informal sector will be supported nor b. how existing barriers to entry will be dealt with to generate up to 2 million new jobs.

National Government
Recent Developments

- **Draft Business Licencing Bill** (March 2013) - requires any person involved in business activities – no matter how small – will be required to have a license. Largely punitive and would result in large scale criminalising of current livelihood activities. Currently under review.
- **National Informal Business Upliftment Strategy** (March 2014) - The first national government policy statement on the informal sector post apartheid. Developed by the DTI and implementation the responsibility of the new small business ministry. Implementation platforms - infrastructure and skills development

Anti foreign sentiment among officials

"The scourge of South Africans in townships selling and renting their businesses to foreigners unfortunately does not assist us as government in our efforts to support and grow these informal businesses … You still find many spaza shops with African names, but when you go in to buy you find your Mohammeds and most of them are not even registered,"

At the time Deputy Trade and Industry, Minister Elizabeth Thabethe

City Press, 10 October 2013

Anti-foreign Sentiment

- **Business Licensing Bill**: Only foreigners who have a *business permit* will be granted licenses. Business permits have to be applied for in the country of origin and are only granted if the person applying can guarantee that they have R2.5 million to invest in South Africa. & Suggests community policing.
- **NIBUS** – 'This strategic pillar further attends to *foreign trader challenge* as there is evidence of violence and unhappiness of local communities with regard to the *take over* of local business by foreign nationals. A number of foreign traders are also illegal in the country and some are involved on the sale of illegal goods.' (January, 2014 Draft)
- Anti-foreign sentiment driving a punitive approach to the informal sector – problematic for South African and foreign participants alike. None of these documents mention food.

Provincial and City Level Developments

Provinces

- KwaZulu-Natal – Informal Economy Policy (2010) – still to be developed into a white paper
- Western Cape – Informal Sector Framework (March 2014)
- Gauteng – Gauteng Informal Business Development Strategy (2015)
- Orange Free State – is in the process of producing an Informal Economy Policy

➡ There is activity at this level. Only the WC IS framework makes reference to the role played in food security by informal retailers, noting research that informal traders were able to provide 'superior quality products at lower prices' than their larger retail counterparts

Johannesburg

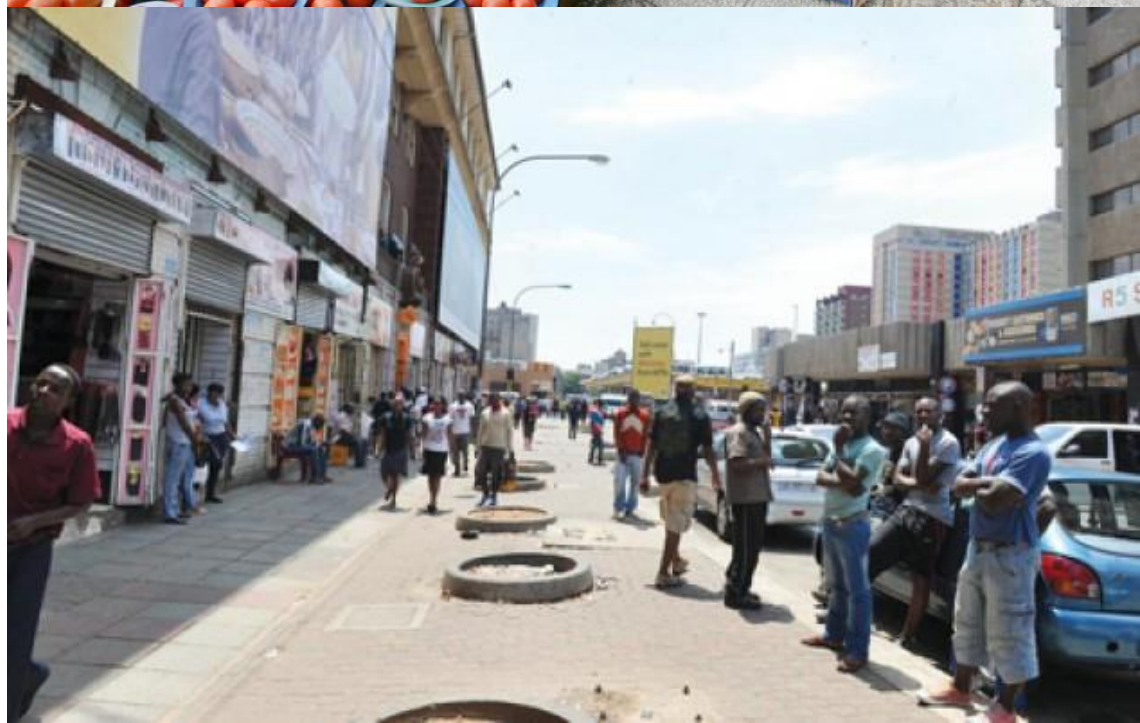
'Operation Clean Sweep' – Oct/Nov 2013, City removes thousands of inner city street traders.

April 2014 Constitutional Court Case rules in favour of the traders. Acting Chief Justice Moseneke had some harsh words for the City:

- This was an act of "humiliation and degradation"
- The attitude of the City "may well border on the cynical".

The City has commissioned an action research project to consider alternatives while simultaneously pursuing the declaration of swathes of the inner city restricted and prohibited trade zones.

Wafer (2011) details how the city has long been ambivalent to informal traders.



Cape Town

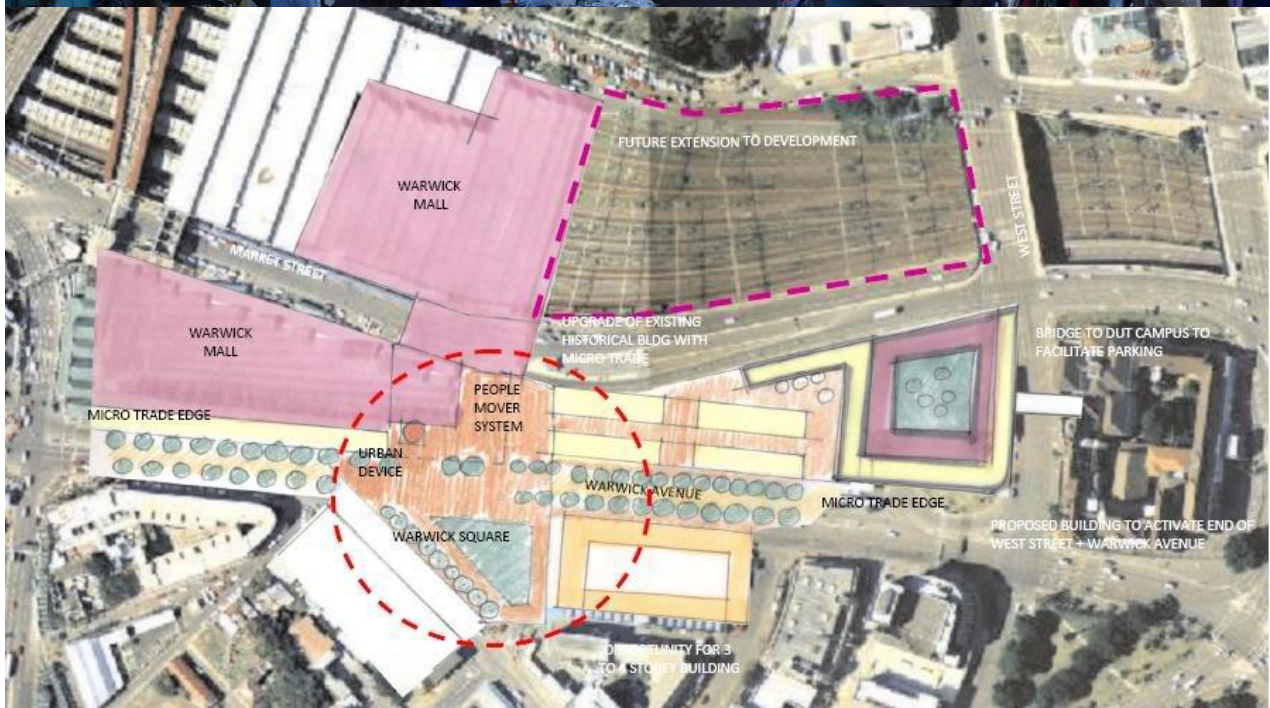
Fewer resources (financial and human) allocated to informal trade than other cities.

There is evidence of ongoing harassment of traders throughout the city but the policy environment (and infrastructure spend) differs in different parts of the city

Systemic exclusion exemplified by the allocation of only 410 street-trading bays in the whole inner city (Bukasa, 2014) where the modernist vision of the “world-class city” with its associated antipathy towards informality seems to predominate.

Durban

- In the early 2000's hailed as an 'international best' practice in informal trade management and support (due to their approach in the inner city).
- Reality very different - traders operating both in the inner city and outlying areas in 2013 identified harassment by the police their primary business challenges (Dube, Mkhize and Skinner, 2013).
- Litigation increasingly the only route to resisting displacement and confiscation of goods.

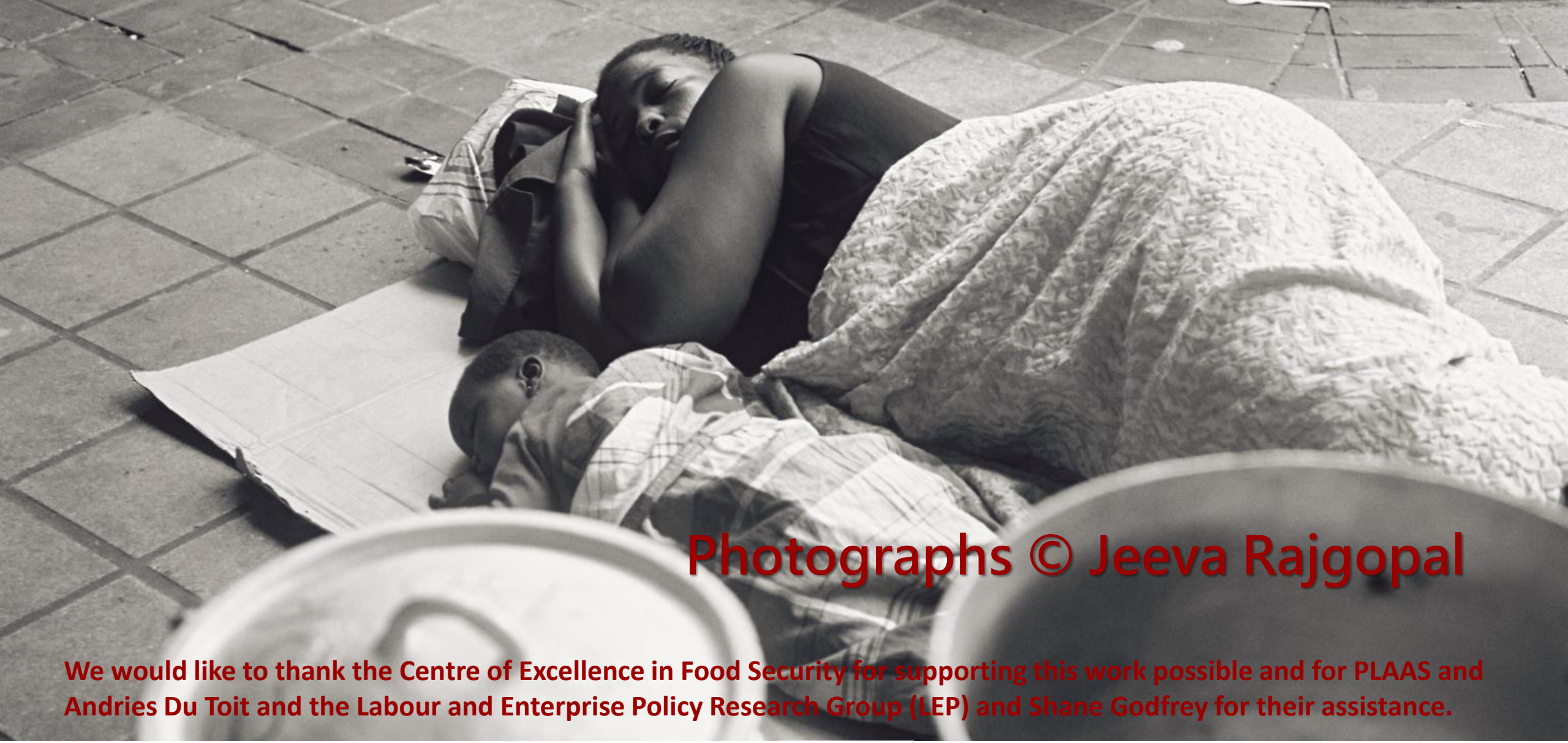


Conclusion

- Policy environment in sum:
  - a productionist and rural bias in the food security agenda
  - policy environment for informal operators is at best benign neglect and at worse actively destructive.
- Policy documents makes little or no reference to the role informal food economy plays in food security.
- A dominant view of the formal retail system as the primary food access point for all urban residents reflects a distinctive anti-poor perspective (or at least imagination) of the city.
- Entrepreneurial focus when the IS is considered misses a far wider set of food system benefits.

Research priorities

- More interrogation of changes in the SA IS - decrease in women's participation and decrease in retail – underlying factors behind these developments
- Formal informal linkages - value chain analysis of basic commodities seeing where the formal and informal intersect
- Food access – rationale of purchasing choices of low income households
- Prices - regular monitoring of food prices widely disseminated
- Impact of supermarket penetration - on informal retailers and food security of low income households.



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We would like to thank the Centre of Excellence in Food Security for supporting this work possible and for PLAAS and Andries Du Toit and the Labour and Enterprise Policy Research Group (LEP) and Shane Godfrey for their assistance.

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