



Informal Sector Employment: Policy Reflections

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Outline

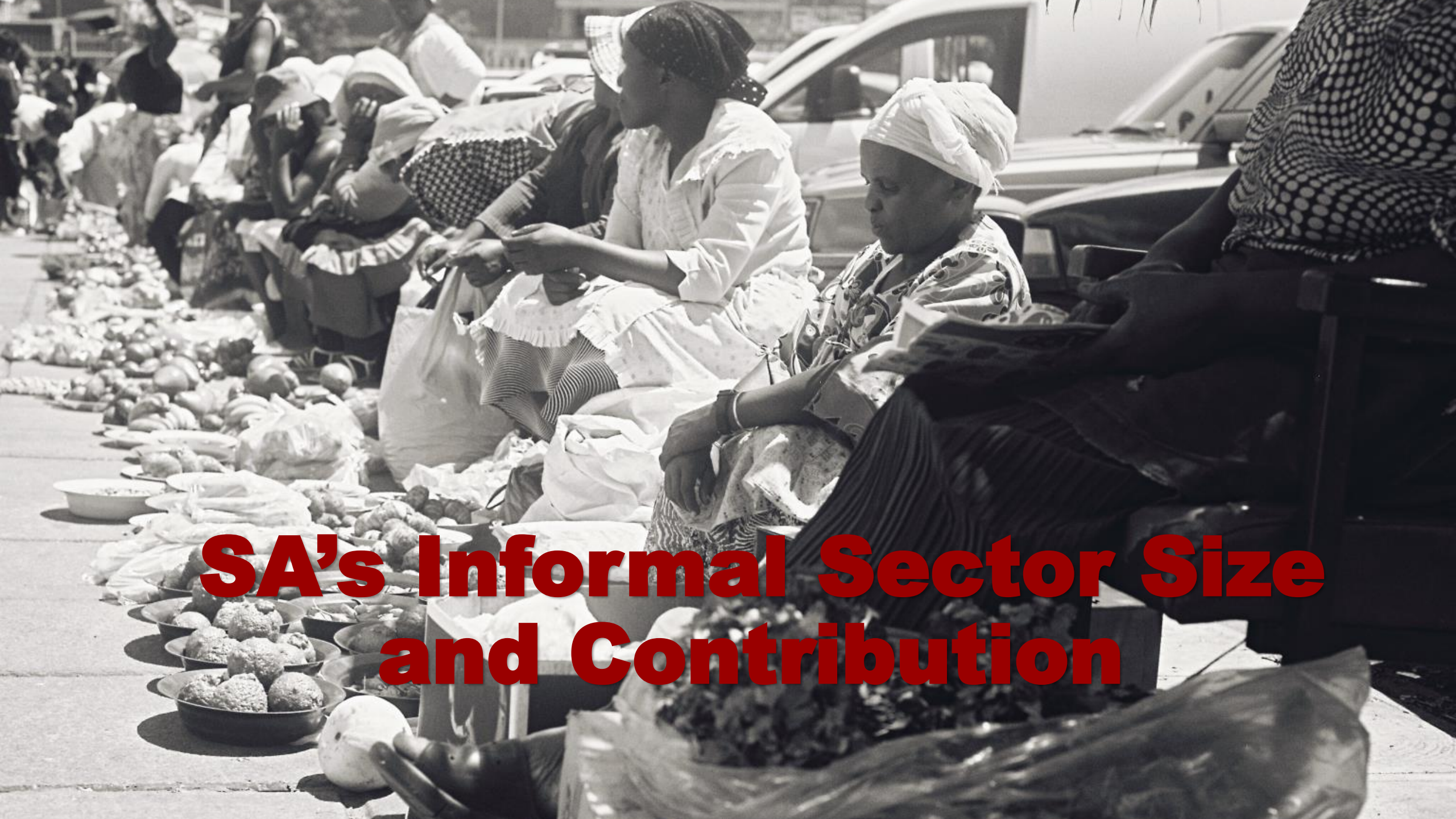
South Africa's Informal Sector:

- Size and contribution
- Lines of differentiation – gender, industry, space
- Formal-informal sector dynamics

Policy context

- Provincial and national
- Local government

Policy issues and priorities



SA's Informal Sector Size and Contribution

Size and Contribution

Contribution to GDP: Although individual incomes are low Stats SA estimates informal enterprises contribute 5.2% (Stats SA, 2015).

Increasing evidence of the role of informal sector in food security.

Size: According to the 3rd quarter 2016 Quarterly Labour Force Survey statistics, 2 641 000 South Africans work in the informal sector (2016: 1). Although far smaller than our developing country counterparts, this still represents 16.7% of total employment in the country. Since the QLFS introduced the IS has constituted between 16-18% of employment.

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

Gender

The informal sector is a declining source of employment for women: In the third quarter of 2016, 970 000 women were recorded to be in the informal sector, constituting 37% of total informal sector employment (2016:2). This is down from 45% in Q1 2008. Confirmed as a long term trend.

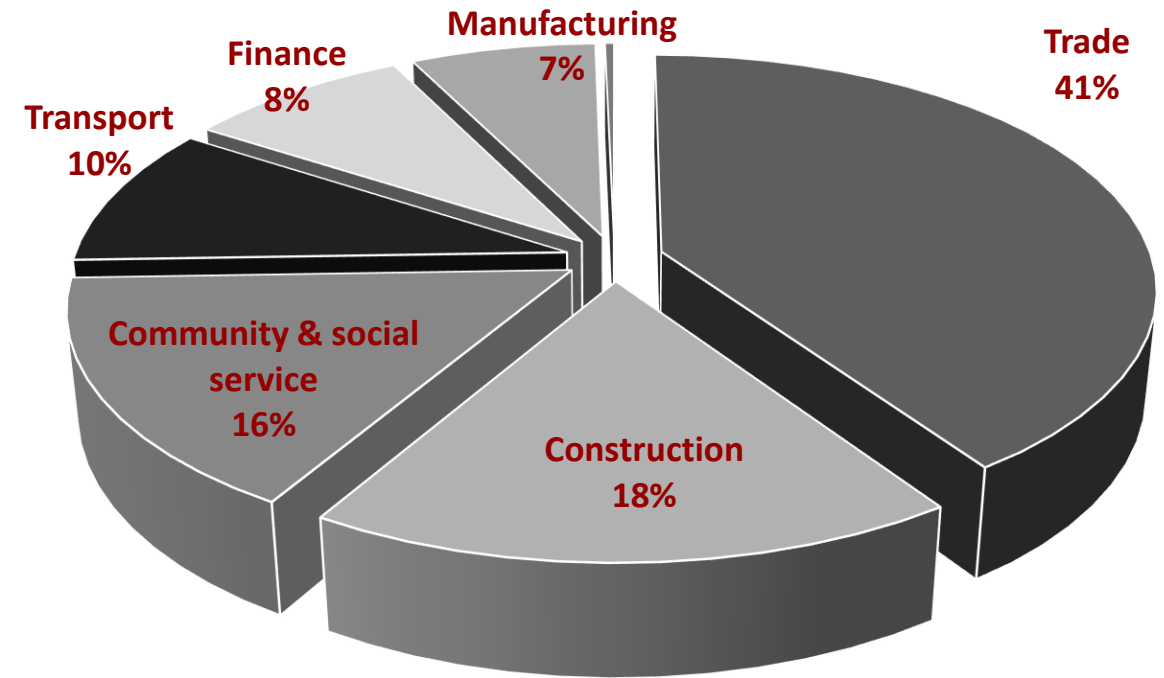


Industry

Trade predominates at 1 070 000 or 41% of those working in the informal sector were trading (Q2 2016). This is however declining as a percentage of the total informal sector employment.

Construction and community services are increasing proportions.

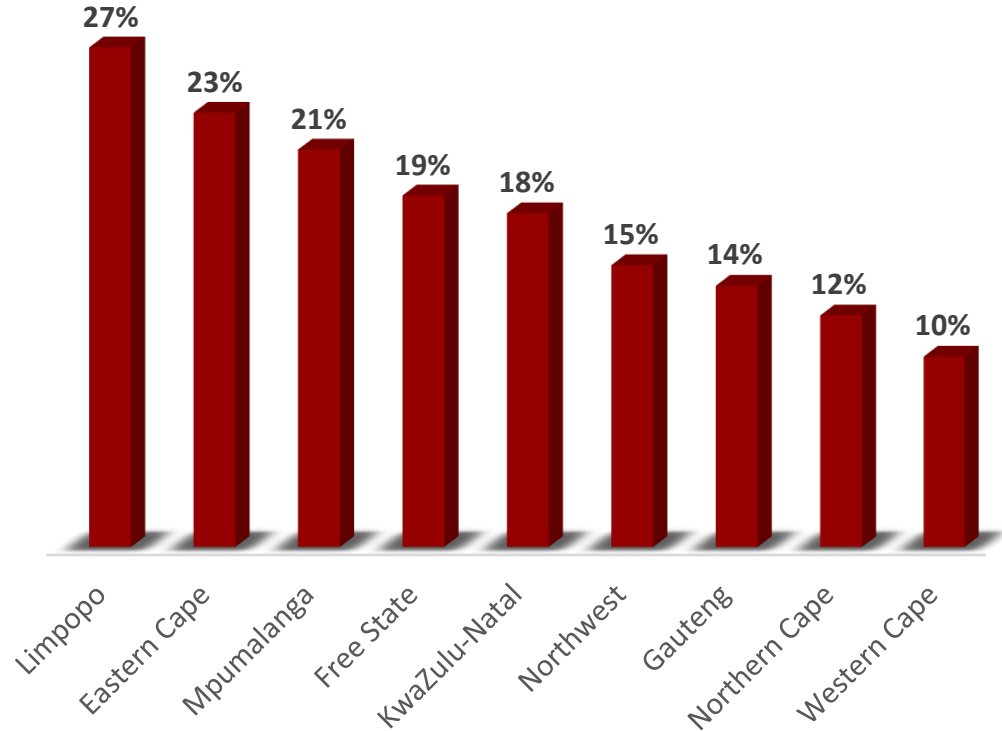
Manufacturing remains small.



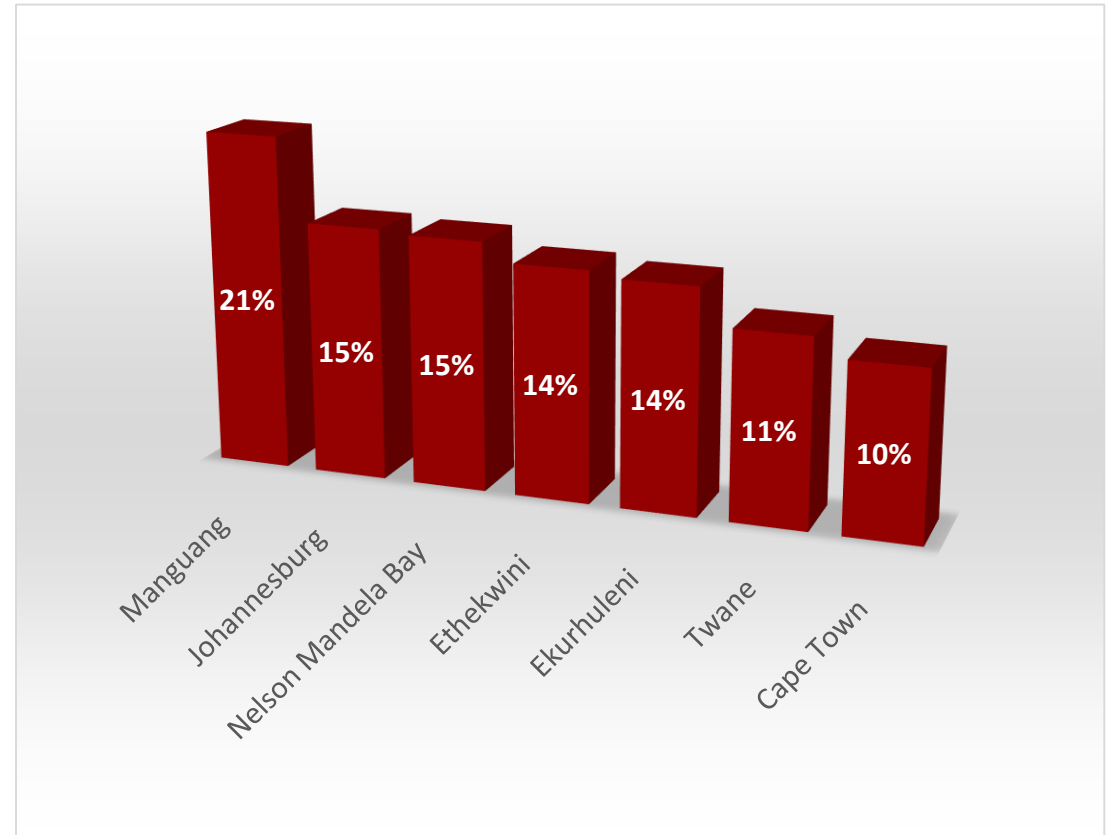
Source: QLFS, Q3 2016

Spatial dimensions

Informal sector employment as a % of total employment by province

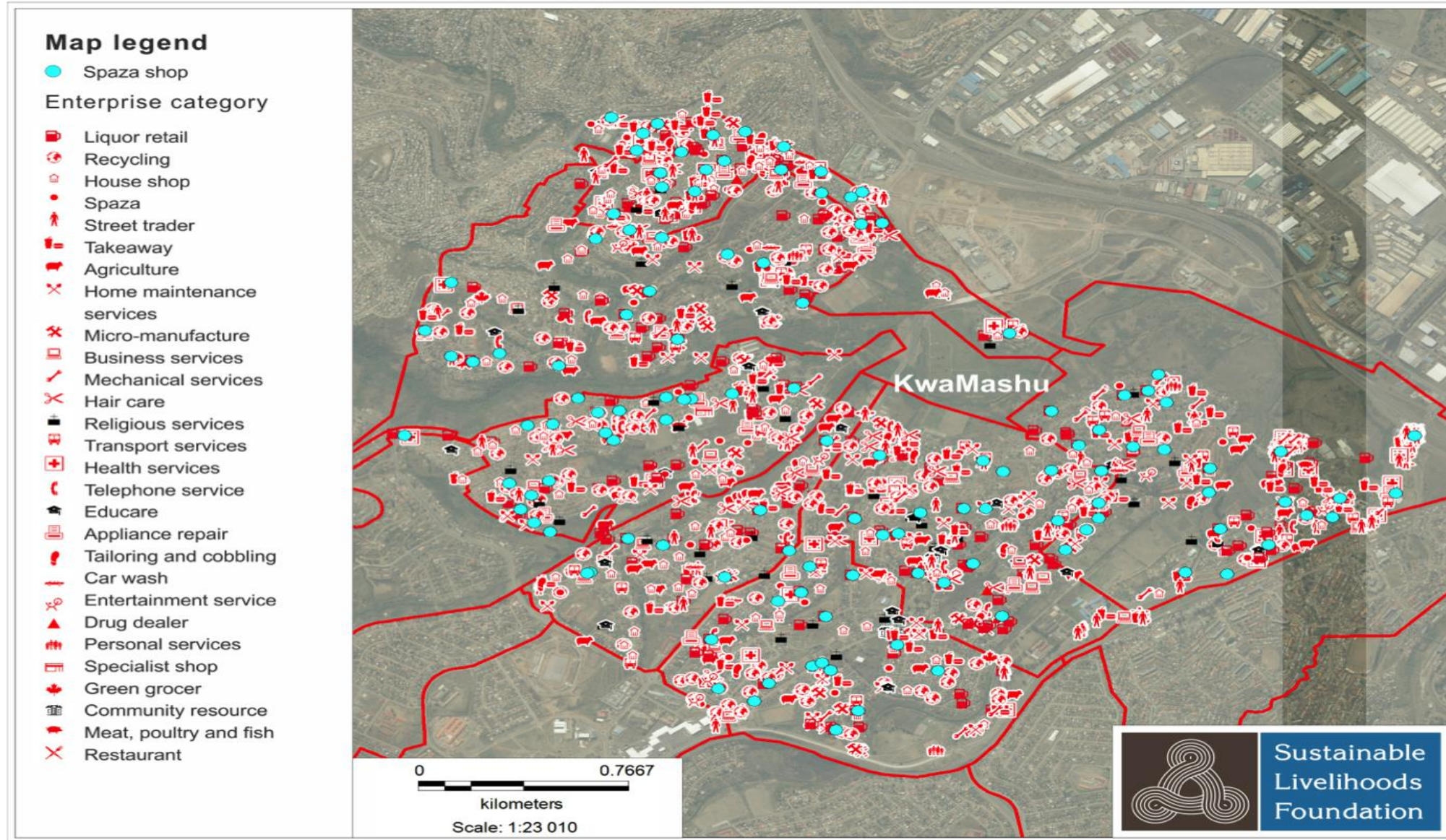


Informal sector employment as a % of total employment by city



Source: QLFS, Q3 2016

Townships – not economic dead zones



The structure of the SA economy

- If you want to understand the informal sector you need to also look at the formal sector.
- Philips (2016) outlines the concentration in the South African formal sector (clothing, furniture, metal) and now this crowds out new entrants.
- The linkages with the formal sector and the gaps within it must inform strategy.

And so ...

- These statistics suggest that the informal sector is an important part of the South African economy.
- While employment in the informal sector has remained at between 16-18% of total employment (2008-2016) this disguises significant changes in composition within the sector.
- Lines of differentiation key - as with the formal economy, there needs to be an industry / sectoral approach to supporting and growing the informal economy.
- Economy happens in space and a spatially differentiated approach is warranted e.g. in those provinces and cities that have small informal sectors should be particularly concerned about barriers to entry. All policy should be mindful of **where** informal activities are happening.



Policy context

National and Provincial

- In the post apartheid period the informal sector has largely fallen through policy gaps. Since 2012 however there are important new developments.
- National Development Plan – projects between 1 171 000 and 2 090 000 jobs being created in the informal sector.
- National Informal Business Upliftment Strategy (March 2014) - first national policy on the informal sector post apartheid. This is currently being implemented through the NIBUS road map.
- Business Licensing Bill (March 2013) – all businesses no matter how small are required to have a licence.
- Much dynamism at provincial level – Gauteng's focus on the township economy and GIBUS, new informal sector policies in the Western Cape and such proposed in the Eastern Cape and OFS.



**Policy context – local
government**

Local Government

- A key player – in providing basic and work related infrastructure. Zoning and other regulations critically shape the possibilities for, and environment within which, the informal sector works.



Local Government

- There is a marked ambivalence to segments of the informal sector – most notably those working in public space. ‘Operation Clean Sweep’ in 2013 Johannesburg removes 6000 inner city traders), and country wide confiscation of street traders goods, a case in point.
- Courts are playing an increasing role in defending the rights of those working in the informal sector.



Policy issues and priorities

A wide-angle photograph of a bustling outdoor market. In the foreground, several people are seen from behind, looking at large, colorful fabrics or textiles laid out on the ground. The middle ground is filled with various market stalls and displays, including racks of clothing, baskets of produce, and other goods. People are walking through the market, some carrying items. The background shows a large, open area with a high, arched roof structure, possibly a covered walkway or a large hall. The overall atmosphere is one of a busy, active marketplace.

Data to support policy

- Good data is available to support policy making and implementation - Stats SA data (QLFS and SESE) and smaller scale studies. These resources are underutilised. (For city level planning, this data needs to be supplemented with more detailed survey work.)
- Global policy – research – action network Women in Informal Employment: Globalizing and Organizing (WIEGO) tracks international ‘good’ policy practice. www.wiego.org.

Policy issues

- Conceptual reframing these activities need to be viewed as economic and requiring economically informed interventions.
- Do no harm measures a critical starting point.
- Heterogeneity – Fourie's analysis shows diversity along the lines of survivalist / growth orientated; 1 person multi person; expanding firms / entrant firms; prior working entrants / non prior working entrants to which we have added industry, gender and space.
- Support and enablement needs to be focus on both where enterprises where they are at, but also to grow. Key to this is sector / industry dynamics and formal informal linkages.
- In targeting support, women's role needs to be a critical factor.

‘Formalise the informal sector’

- .. the dominant discourse internationally - ILO Recommendation 204; Habitat III’s New Urban Agenda. But what is meant by ‘formalisation’? Too often simply registration and taxation which can just be a cost.
- Chen in reflecting on the international experience notes that many informal operators already pay taxes (such as VAT) or fees of various kinds (e.g. licence fees to city authorities to operate) and are willing to pay taxes or fees in return for benefits, it means gaining access to legal and social protection as well as support services (e.g. skills or business training) and being allowed to organize and to be represented in relevant rule-setting, policymaking, and collective bargaining processes.
- Brazil and interesting case where if you register you get access to the social security system and other benefits including access to the banking system.

Regulatory review

- The anti-foreign sentiment is reinforcing a punitive approach to the informal sector e.g. the draft Business Licensing Bill.
- This is bad for both South African and foreign owned informal sector businesses alike.
- There is a critical need to do a legislative review – with a critical eye as to whether there is criminal or administrative sanction. A promising entry point is to look by sector / industry since legislation impacts very differently depending on the industry you are in.

Remaining curiosities

- What are the barriers to entering the informal sector, particularly in contexts where it is comparatively small?
- Why are women leaving the South African informal sector?
- What are the driving factors behind informal sector business failure?

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