EXPERT ANALYSIS

The Cape Town informal sector – size, contribution and good practice models

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The size and contribution of the informal economy globally

According to a recent compilation of international statistics, informal employment in developing regions accounts for between 45% (in the Middle East and North Africa) and 82% (in South Asia) of non-agricultural employment (Vanek et al. 2014:i). City-level statistics are harder to come by, but available data suggest that in some developing cities, as much as 80% of those who work, work in the informal economy (Herrera, et al. 2012). Although individual incomes of informal workers are often low, cumulatively informal activities contribute significantly to gross domestic product (GDP). Further, the informal economy provides low-cost inputs, goods and services to both formal and informal enterprises, as well as to the public, especially the poorer sections. At the household level, informal activities are often what sustain families living in poorer parts of cities and towns. This suggests that urban informal work is significant to alleviating poverty and to growing local economies. Furthermore, informal workers often use less space and fewer resources, and leave a smaller carbon footprint than their formal counterparts. Certain worker groups like waste pickers are playing an important role in climate change mitigation. This has led some to argue that the informal economy should be considered part of the green economy agenda.

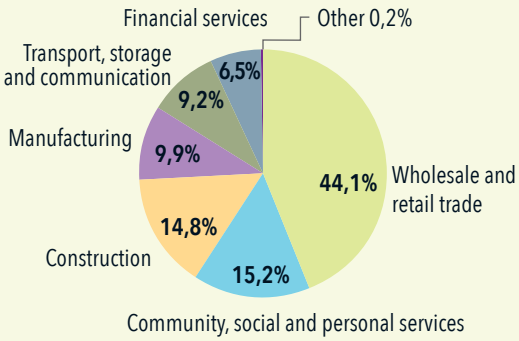
The informal economy and sector in South Africa, the Western Cape and Cape Town

When it comes to the size of the informal economy, South Africa is frequently cited as an unusual case. Vanek et al. calculate the comparative figure of informal employment as a proportion of total employment at 33% (2014:i). This reflects those working with little or no security or social protection. The size of the informal sector (defined as enterprises employing less than five people and not registered for VAT purposes) is 18%. Compare this to two countries in the region – Tanzania's informal sector is 52% of non-agricultural employment, while Zambia's is 65% (ILO, 2013:10). Provincial comparisons are also revealing. Analysis of this data suggests that the Western Cape has a particularly small informal sector. Skinner and Goemans (forthcoming) find for example that the informal sector only constitutes 11% of the non-agricultural workforce. In the October–December 2013 quarterly labour force survey, only 196 000 people reported working in the informal sector in the whole province, which is down from 222 000 in the January–March 2013 survey (Statistics South Africa, 2014:29). Given the high unemployment rate, the abiding question is what are the barriers to entry to the informal sector? This is an important question in the Western Cape and Cape Town, where the informal sector is not only particularly small, but seems to be getting smaller in both relative and absolute terms.

The notion of the 'informal sector' disguises a lot of diverse economic activities. With respect to designing appropriate policy, industry breakdown is important. Figure 1 below, drawing on Statistics South Africa's quarterly labour force surveys, reflects industry data. These figures suggest that the South African informal sector is dominated by wholesale and retail trade, followed by services, construction and manufacturing.

These are figures for the informal sector for the whole country. The sample sizes are not big enough to do this kind of fine-grained analysis even at provincial level. The Sustainable Livelihood Foundation's census and survey of informal-sector activities in select townships helps fill this gap. Charman and Petersen (forthcoming) reflect on their findings from micro-enterprise censuses conducted in five Cape Town settlements – Delft South, Brown's Farm, Sweethome Farm, Vrygrond and Imizamo Yethu. Liquor retailers, spaza and house shops together comprised of 46% of all identified micro enterprises. Other frequently observed businesses were hair care services, mechanical services, green grocers, businesses engaged in recycling, child-minding, health care (traditional medicine practitioners) and construction (Charman & Petersen, forthcoming, 11-12). What

1 South Africa informal-sector employment – industry breakdown



Source: Goemans and Skinner, forthcoming.

1 WIEGO is a partner in the Inclusive Cities project, a consortium of largely membership-based organisations of the working poor. For further information on the cases cited in this article, see www.wiego.org or www.inclusivecities.org.

is striking about these findings is the significant variation by settlement. This micro-enterprise census data suggests that these settlements are not economic 'dead zones', as they are sometimes portrayed. There is a dearth of city-level information that reflects the size and diversity of the informal sector, but especially its contribution to city economies. This is critical for appropriate policy design. It is positive that the City of Cape Town has recognised this gap and initiated research on Cape Town's informal economy.

Good practice in supporting livelihoods

The global action research policy network Women in Informal Employment: Globalising and Organising (WIEGO) documents policy approaches and/or organisational practice that have resulted in securer livelihoods for the urban poor. Some examples are:

Home-based workers

- The Self-Employed Women's Association (SEWA) in India, a union of over 1,9 million members, provides a range of support services to home-based workers and other worker groups.
- The Mahila SEWA Housing Trust in India has improved slum conditions through innovative partnerships in basic service delivery.

Street vendors

- After decades of struggle by SEWA, the National Association of Street Vendors of India, and others, the Street Vendors Act was adopted by India's Parliament in February 2014. This national law recognises, regulates and protects the livelihoods of street vendors.
- Bangkok has a vibrant street economy due to progressive laws and regulations in the city, particularly pertaining to licensing, vendor locations, schemes for credit and social protection.
- Asiye eTafuleni, a non-governmental organisation in Durban, South Africa, has long worked with street vendors and the local authority to develop pioneering approaches to urban design and management of street vending.

Waste pickers

- Belo Horizonte in Brazil and Pune in India have integrated waste pickers with municipal waste management schemes. In both cases, strong cooperatives of waste pickers have tirelessly negotiated access to waste materials, the establishment of sorting/processing facilities, and better prices for the waste their members collected.

These can be downloaded from http://www.inclusivecities.org/research/good-practices/. In all of these examples, workers are organised and act collectively. And in most instances, they have the proactive support of either a national or local government that is willing to intervene. Together, these factors are powerful forces for change. What's most significant is that these cities are working with the reality of informality today, rather than aspiring to a northern image of 'cityness' that denies it.

Six priorities for inclusive cities

There is no single prescription that will address all categories of informal work across all urban contexts. However, the experience of our WIEGO partners of membership-based organisations of workers and WIEGO policy research suggest six priority policy issues.

First, with one third of the urban population in the developing world living in slums, the acceleration of the delivery of basic services is widely acknowledged as a priority. Delivery of these services, however, often fails to recognise that homes are also either the primary work place or used for preparation and storage of goods. In selecting the location for and designing new low-cost housing developments, as well as in in-situ upgrading, built environment professionals need to consider how existing livelihoods can be strengthened. City-wide, the provision of basic services, including affordable transport, must be seen as an economic priority.

Second, different worker groups have additional infrastructure needs. For example, street traders' goods will perish less quickly if they have shelters; they can increase their stock levels if they have access to storage facilities, and there will be fewer health issues for traders and their customers if everyone has access to water and public toilets. In cases of good practice of integrating waste pickers with municipal solid waste systems, like in some Brazilian cities, local governments have provided tailor-made facilities to sort, process and store recyclables. Small-scale manufacturing units – with reliable access to services like affordable electricity – allow home-based workers to work more productively and facilitate collective action like bulk-buying of inputs and negotiating improved rates for piece work.

Third, there is a need for fundamental legal reform informed by the reality of informality. WIEGO research has shown that over-regulation, deregulation and lack of regulation can all be detrimental to different groups of informal workers. A more appropriate approach is to identify what legal rights and regulations would lead to securer livelihoods for different groups of informal workers. For street traders, the right to trade is fundamental, and for waste pickers, the right

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to access waste or bid for municipal waste contracts can be transformative. Local government regulations and ordinances – zoning schemes, building codes and health and safety regulations among others – often date back to the colonial era and are used as instruments for exclusionary practices.

Fourth, informal workers need access to support services to increase productivity and incomes. Surveys with informal workers consistently identify access to financial services (not just credit) as a priority intervention. Training, if appropriately delivered, can enhance productivity. This should be complemented by better understanding of where informal workers fit in the chain of activities from product inception to final consumption – identifying the most effective point along the value chain for organisations of informal workers or the state to intervene.

Fifth, privatisation of services as well as state assets such as land often poses a threat to informal workers' livelihoods. Privatisation is a missed opportunity, as was aptly captured by a Brazilian waste picker leader, who noted that local authorities are faced with the choice of placing a "lot of money in a few people's hands or some money in a lot of people's hands".[2] Good-practice documentation by WIEGO and others (for example McDonald and Ruiters, 2012) show there are many alternatives to privatisation that include informal workers, and that can result both in efficient service delivery as well as more equal distribution of gains.

Finally, and perhaps most importantly, urban informal workers should be integrally involved in the decisions that impact on them and in implementation of development projects. WIEGO's monitoring of good planning practices that support livelihoods shows that they all share a common element: Workers and their representatives are integrally involved. It is a matter of planning with rather than planning for informal workers.

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Conclusion

Given the high levels of unemployment in Cape Town, growing the informal sector is a critical challenge to policy-makers. Proactive intervention from the state is needed. This brief input hopes to have furnished a framework to do so.

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Biography

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Caroline is also Urban Policies Programme Director for the global action-research-policy network Women in Informal Employment: Globalizing and Organizing (WIEGO) and a Senior Researcher at the African Centre for Cities (ACC) at the University of Cape Town. For over 15 years, Skinner's work has interrogated the nature of the informal economy with a focus on informing more appropriate policy responses and has published widely on the topic. She has been involved in policy and advocacy work at a local, provincial, national and international level. Since 2009 she has been managing the research component of a Gates Foundation funded global project - Inclusive Cities. Among other responsibilities, she has overseen the commissioning of over 100 publications (see http://wiego.org/publications-resources).

1 See http://www.inclusivecities.org/wp-content/uploads/2012/09/Global_Strategic_Workshop_WastePickers_ Pune2012.pdf.