

Article

Low-waged and informal employment in South Africa

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Introduction

This paper forms one component of a larger project of the Human Sciences Research Council (HSRC) to assess the state of knowledge of the labour market in South Africa, and to identify research gaps. Our paper has two primary objectives: to outline the extent and incidence of low-waged employment in South Africa and to review the literature on informal employment, one important component of low-waged employment. We begin by providing a statistical overview of low-waged employment using the Labour Force Survey of March 2000 and March 2004. Based on these data, we summarise trends in low-waged employment. In Section B, we focus on informal employment in South Africa, and discuss some of the conceptual and statistical literature and apply it to the South African context. Section C provides trends on informal employment. Section D, using a unique panel drawn from the Labour Force Survey, provides analysis of some of the linkages between informal employment and other labour market statuses, including unemployment. Finally, in Section E, based both on our analysis of low-waged employment and on the review of the informal economy, we offer some suggestions for a research agenda.

The issues of low-waged employment and informal employment are both important considerations for labour market policy in South Africa. One of the key debates about employment in South Africa is the relationship between wages and employment, with the argument often made that the high levels of unemployment in South Africa are a result of rapid increases in wages, particularly of unskilled black workers (see Fallon and Lucas 1998, Lewis 2002). In the last comprehensive overview study of the labour market

in South Africa, Standing et al (1996) reject this argument and point to the extreme inequalities in wage income and to the high levels of low-waged income in South Africa. Whatever the merits of these arguments may be, it is imperative that any assessment of labour market policy in South Africa takes cognisance of the high levels of low-waged income in the labour market.

The South African labour market has not been shielded from rapid growth in informal employment across the globe (see Standing 1999, Charmes 2000). As we show below, a large proportion of the workforce is employed in the informal economy. Understanding trends and patterns of informal employment is critical for broader labour market policy for a number of reasons. First, and related to low-wages, the increasing informalisation of work has resulted in a segment of the workforce being unable to access the formal institutions that govern the labour market, and they do not have access to retirement provisions and medical insurance, which form part of the remuneration package for employees in formal employment. As President Mbeki remarked recently, ‘casualisation has produced the phenomenon of the working poor... (who) have little say over their wages ... (and) their employers are not required to provide them with medical and retirement benefits’ (*Business Report* July 25, 2005). Second, an understanding of informal economy employment is important for contextualising policy discussions about employment and unemployment. What, for example, is the potential for the unemployed to enter informal employment and then to progress to better paying, more secure forms of employment? Or, is the growth in informal employment largely the result of the ‘hollowing out’ of the lower segments of formal employment as firms restructure in response to a more open international trade environment? Is the distinction between formal and informal employment really appropriate for South Africa?

Section A: Low-waged employment in the South African labour market

We employ two simple benchmarks to assess low-waged employment in South Africa – earnings below R2,500 per month, and earnings below R1,000 per month. Table 1 shows the distribution of low-waged workers in South Africa. On this basis, a large proportion of workers employed in South Africa earn low incomes. On the basis of the 2000 Labour Force Security (LFS), 77.8 per cent of the workers fall under the low-waged category when a R2,500 cut off point is used. A R1,000 cut off point results

in 53 per cent of workers being classified as low-waged. In 2004 there is a slightly more than 10 percentage point decrease in the proportion of low-waged workers for both cut off points. Adopting a more stringent cut off point of earnings of R500 per month to classify low-waged employment still results in a high proportion of workers being classified in the low-waged sector: 38 per cent and 19 per cent for 2000 and 2004 respectively.

Table 1: Distribution of low-waged workers in South Africa

	LFS 2000				LFS 2004			
	<=R2500		<=R1000		<=R2500		<=R1000	
	No.	%	No.	%	No.	%	No.	%
Low-waged	8697262	77.8	5958388	53.3	7379357	65.0	4423904	39.0
Non-Low-waged	2477033	22.2	5215907	46.7	3978483	35.0	6933936	61.0
Total employed reporting wages	11174295	100.0	11174295	100.0	11357840	100.0	11357840	100.0

Source: Authors’ calculations from Stats SA (2001) and Stats SA (2004).

The data presented in Table 1 may be criticised for not adjusting wages for inflation effects – that the supposed reduction in low-waged employment between 2000 and 2004 is simply an inflation effect. Unfortunately, the LFS data for wages are collected in income bands which are not easily adjusted to allow for comparisons in real wages. Thus, the data for 2000 and 2004 should not be compared – we simply present an indication of the extent of low-waged employment using two benchmarks (earning below R1,000 and R2,500 per month) and two points in time (2000 and 2004).

However, in order to provide some indication of changes in low-waged employment over the period 2000 and 2004, Table 2 allows for some admittedly inexact comparisons. The benchmarks, R1,000 and R2,500 per month for 2000, have been adjusted to the closest possible inflation adjusted incomes benchmarks for 2004, respectively R1,500 and R3,500. These data show that between 2000 and 2004 there has been some reduction in low-waged employment in South Africa. It should be stressed, however, that these data are inexact and are shown for illustrative purposes only.

Table 2: Distribution of low-waged workers in South Africa – adjusted for real incomes

	LFS 2000				LFS 2004			
	<=R2500		<=R1000		<=R3500		<=R1500	
	No.	%	No.	%	No.	%	No.	%
Low-waged	8697262	77.8	5958388	53.3	8218534	73.4	5583331	49.9
Non-low-waged	2477033	22.2	5215907	46.7	2972781	26.6	5607984	50.1
Total	11174295	100.0	11174295	100.0	11191315	100.0	11191315	100.0

Source: Authors' calculations from Stats SA (2001) and Stats SA (2004).

Using the March 2004 LFS only, Table 3 shows the distribution of wages in the employed workforce. We see a concentration of the workforce in the lower income bands, with 58 per cent of the workforce earning between R200 and R2,500.

Table 3: Distribution of wages of the employed, LFS March 2004

		Frequency	Percent	Valid Percent	Cumulative Percent
Income	None	276543	2.3	2.5	2.5
	R1-200	535212	4.5	4.8	7.3
	R201-500	1304487	10.9	11.7	18.9
	R501-1000	2195499	18.3	19.6	38.5
	R1001-1500	1271590	10.6	11.4	49.9
	R1501-2500	1661159	13.9	14.8	64.7
	R2501-3500	974044	8.1	8.7	73.4
	R3501-4500	653423	5.5	5.8	79.3
	R4501-6000	747599	6.2	6.7	86.0
	R6001-8000	567995	4.7	5.1	91.0
	R8001-11000	438614	3.7	3.9	95.0
	R11001-16000	291266	2.4	2.6	97.6
	R16001-30000	204089	1.7	1.8	99.4
	R30000+	69795	0.6	0.6	100.0
	Total	11191315	93.4	100.0	
Missing	Don't know	257788	2.2		
	Refuse	520514	4.3		
	Unspecified	14878	.1		
	Total	793181	6.6		
Total		11984496	100.0		

Source: Authors' calculations from Stats SA (2001) and Stats SA (2004).

Table 4 shows the racial composition of the low-waged workforce in the South African labour market. Using a cut off point of R2,500, these data for 2000 show the racial composition of the low-waged workforce: 82 per cent are black, 11 per cent are coloured, 2 per cent are Indian and 5 per cent are white. A lower cut off point of R1,000 results in an increase in the proportion of low-waged workers classified as black and a corresponding decrease for other race groups. For the year 2004, a similar scenario obtains, except that the numbers of workers classified as low-waged decreases.

Table 4: Racial composition of low-waged workers

	LFS 2000				LFS 2004			
	<=R2500		<=R1000		<=R2500		<=R1000	
	No.	%	No.	%	No.	%	No.	%
Black	7125579	81.9	5238434	87.9	6150520	83.3	3889645	87.9
Coloured	918892	10.6	519487	8.7	880245	11.9	442140	10.0
Indian	195177	2.2	68493	1.1	111359	1.5	22024	0.5
White	450621	5.2	128153	2.2	234191	3.2	70096	1.6
Other	6992	0.1	3821	0.1	2711	0.0		
Unspecified					331	0.0		
Total	8697261	100.0	5958388	100.0	7379357	100.0	4423905	100.0

Source: Authors' calculations from Stats SA (2001) and Stats SA (2004).

Table 5 tabulates the distribution of low-waged workers within population groups. The highly skewed racial pattern of waged-income is most evident in this table. Based on the 2004 LFS almost half (47 per cent) of black workers earn an income below R1,000 per month. At the higher cut-off, R2,500, almost three quarters (74 per cent) of African workers are classified as low-waged workers.

Table 5: Distribution of low-waged workers within racial groups

	LFS 2000				LFS 2004			
	<=R2500		<=R1000		<=R2500		<=R1000	
	No.	%	No.	%	No.	%	No.	%
African	7125579	89.4	5238434	65.8	6150520	74.4	3889645	47.0
Coloured	918892	77.2	519487	43.7	880245	59.9	442140	30.1
Indian	195177	57.1	68493	20.0	111359	26.2	22024	5.2
White	450621	27.0	128153	7.7	234191	11.9	70096	3.6
Other	6992	87.9	3821	48.0	2711			
Unspecified					331			
Total	8697262		5958388		7379357		4423904	

Source: Authors' calculations from Stats SA (2001) and Stats SA. (2004).

Table 6 shows the gender distribution within low-waged employment. The year 2000 had an equal proportion of males and females earning at most R2,500. At the lower cut-off of R1,000, the proportion of women workers increases, as it does in the more recent period. This trend would be consistent with evidence that women earn lower incomes than men.

Table 6: Gender distribution of low-waged workers

	LFS 2000				LFS 2004			
	<=R2500		<=R1000		<=R2500		<=R1000	
	No.	%	No.	%	No.	%	No.	%
Male	4345248	50.0	2541130	42.6	3933888	53.3	1975772	44.7
Female	4352014	50.0	3417258	57.4	3445442	46.7	2448133	55.3
Total	8697262	100.0	5958388	100.0	7379330	100.0	4423904	100.0

Source: Authors' calculations from Stats SA (2001) and Stats SA (2004).

Table 7 shows the age distribution of low-waged workers. In both periods the majority of low-waged workers are aged between 25 and 34 years

irrespective of the income bracket used. On average, 70 per cent of low-waged workers are below 44 years for both income brackets and years.

Table 7: Age distribution of low-waged workers

	LFS 2000				LFS 2004			
	<=R2500		<=R1000		<=R2500		<=R1000	
	No.	%	No.	%	No.	%	No.	%
15-24	1428733	16.4	1099728	18.5	903628	12.2	615430	13.9
25-34	2545065	29.3	1680254	28.2	2300809	31.2	1308407	29.6
35-44	2220697	25.5	1395638	23.4	2153221	29.2	1203287	27.2
45-54	1312093	15.1	862499	14.5	1350461	18.3	821260	18.6
55-64	730695	8.4	547548	9.2	518801	7.0	352372	8.0
65+	459978	5.3	372722	6.3	152438	2.1	123148	2.8
Total	8697261	100.0	5958389	100.0	7379358	100.0	4423904	100.0

Source: Authors' calculations from Stats SA (2001) and Stats SA (2004).

Table 8 shows the marital status of low-waged workers. For both years and both cut-off points there is a high proportion of low-waged workers who are classified either as married or living together. The proportion of households with such a marital status ranges from 45 to 51 per cent.

Table 8: Marital Status of low-waged workers

	LFS 2000				LFS 2004			
	<=R2500		<=R1000		<=R2500		<=R1000	
	No.	%	No.	%	No.	%	No.	%
Never married	3387857	39.0	2454639	41.2	3030026	41.1	1922587	43.5
Married/live together	4382428	50.4	2778857	46.6	3635359	49.3	1987180	44.9
Widow/wer	523859	6.0	437111	7.3	392919	5.3	299647	6.8
Divorced/sep	402006	4.6	286670	4.8	319883	4.3	214490	4.8
Unspecified	1111	.0	1111	.0	1170	0		
Total	8697261	100.0	5958388	100.0	7379357	100.0	4423904	100.0

Source: Authors' calculations from Stats SA (2001) and Stats SA (2004).

Table 9 shows the education levels of low-waged workers. Education plays an important role in access to high paid work. Over three-quarters of low-waged workers do not have a matric school leaving certificate.

Table 9: Education levels of low-waged workers

	LFS 2000				LFS 2004			
	<=R2500		<=R1000		<=R2500		<=R1000	
	No.	%	No.	%	No.	%	No.	%
No education	1106919	12.9	973378	16.5	714330	9.7	585368	13.3
Pre matric	5870286	68.2	4212984	71.4	4995424	68.0	3150108	71.5
Matric	1226067	14.2	579044	9.8	1375982	18.7	573026	13.0
Tertiary	409711	4.8	137012	2.3	255983	3.5	96723	2.2
Total	8612983	100.0	5902418	100.0	7341719	100.0	4405225	100.0

Source: Authors' calculations from Stats SA (2001) and Stats SA (2004).

Table 10: Training in skills that can be used for work

	LFS 2000				LFS 2004			
	<=R2500		<=R1000		<=R2500		<=R1000	
	No.	%	No.	%	No.	%	No.	%
Yes	7548179	86.8	4922921	82.6	6426315	87.1	3647713	82.5
No	1149082	13.2	1035467	17.4	951412	12.9	776191	17.5
Total	8697261	100.0	5958388	100.0	7377727	100.0	4423904	100.0

Source: Authors' calculations from Stats SA (2001) and Stats SA (2004).

Table 10 shows the number of low-waged worker that have received training in some form of skill that can be used for work. In the year 2000, just 14 per cent of low-waged workers were trained in skills that can be used for work (using the R2,500 cut off point). Though the number of trained workers decreased in 2004, the apparent trend is that the lower the cut off mark, the fewer the number of people that are trained in work-related skills. Somewhat surprisingly, as shown in Table 11, the majority of workers in

low-waged employment that have received some amount of training have received training over a period of at least 6 months. This suggests that the training provided is more than just basic skills training.

Table 11: Length of training in skills

	LFS 2000				LFS 2004			
	<=R2500		<=R1000		<=R2500		<=R1000	
	No.	%	No.	%	No.	%	No.	%
Less than week	22761	1.9	9831	1.7	7092	1.0	4457	1.5
1 week	37100	3.1	17645	3.1	24959	3.5	12906	4.5
>1 week- < 2 weeks	41991	3.5	26737	4.6	37378	5.3	12323	4.3
2 week- < 1 month	105033	8.7	59423	10.3	99415	14.0	40120	13.9
1 month-< 2 months	80431	6.7	41638	7.2	70335	9.9	25701	8.9
2 months-< 6 months	160174	13.3	89104	15.5	134046	18.9	54793	18.9
6 months +	753945	62.8	330890	57.5	336225	47.4	139289	48.1
Total	1201435	100.0	575268	100.0	709450	100.0	289589	100.0

Source: Authors' calculations from Stats SA (2001) and Stats SA (2004).

Table 12: Ability to read within low-waged workers

	LFS 2000				LFS 2004			
	<=R2500		<=R1000		<=R2500		<=R1000	
	No.	%	No.	%	No.	%	No.	%
Yes	7548179	86.8	4922921	82.6	6426315	87.1	3647713	82.5
No	1149082	13.2	1035467	17.4	951412	12.9	776191	17.5
Total	8697261	100.0	5958388	100.0	7377727	100.0	4423904	100.0

Source: Authors' calculations from Stats SA (2001) and Stats SA (2004).

Tables 12 and 13 respectively show the ability to read and write among low-waged workers. Although the percentages are relatively low, up to 17 per cent of workers in low-waged employment do not have basic reading and writing skills.

Table 13: Ability to write within low-waged workers

	LFS 2000				LFS 2004			
	<=R2500		<=R1000		<=R2500		<=R1000	
	No.	%	No.	%	No.	%	No.	%
Yes	7511942	86.4	4898731	82.2	6420414	87.0	3644499	82.4
No	1185320	13.6	1059658	17.8	957008	13.0	779405	17.6
Total	8697262	100.0	5958389	100.0	7377422	100.0	4423904	100.0

Source: Authors' calculations from Stats SA (2001) and Stats SA (2004).

Table 14: Type of employment, low-waged workers

	LFS 2000				LFS 2004			
	<=R2500		<=R1000		<=R2500		<=R1000	
	No.	%	No.	%	No.	%	No.	%
Formal	3626128	41.7	1337982	22.5	3478445	47.2	1143480	25.9
Comm agric	687934	7.9	616826	10.4	849678	11.5	729621	16.5
Subsist agric	1693863	19.5	1674877	28.1	386195	5.2	376482	8.5
Informal	1624125	18.7	1341055	22.5	1627103	22.0	1276781	28.9
Domestic	962556	11.1	911257	15.3	1003738	13.6	881178	19.9
Unspec	72264	0.8	49887	0.8	29486	0.4	11982	0.3
Not eco active	30392	0.3	26505	0.4	4711	0.1	4380	0.1
Total	8697262	100.0	5958389	100.0	7379356	100.0	4423904	100.0

Source: Authors' calculations from Stats SA (2001) and Stats SA (2004).

Table 14 shows how low-waged employment is distributed in the economy. In 2004, based on a cut off of R1,000 per month, most low-waged workers were in the informal sector, but large numbers of workers in the formal economy also earned below R1,000 per month. Using the higher cut off point of R2,500 increases the number of workers in formal employment that may be classified as low-waged. The dominance of formal employment in the South African labour market distorts the concentration of low-waged

employment to some extent. Table 15 shows how low-waged employment is distributed in the main forms of employment in South Africa. Whereas Table 14 shows how the total number of low-waged workers are distributed in the economy (ie total low-waged employment = 100 per cent), Table 15 shows the concentration of low-waged employment in each of the main forms of employment (ie total formal employment = 100 per cent and 14.6 per cent of formal workers earned below R1,000 per month in 2004). We see that low-waged employment is particularly concentrated in subsistence agriculture, domestic work, commercial agriculture and the informal economy. Using a cut off of R1000, only 14.6 per cent of workers in the formal economy may be classified as low-waged in 2004. However, 44.4 per cent of formal workers earned incomes below R2,500 per month.

Table 15: Low-waged employment by type of employment, proportions

	LFS 2000				LFS 2004			
	<=R2500		<=R1000		<=R2500		<=R1000	
	No. of workers in economy	No. in LW	No. of workers in economy	No. in LW	No. of workers in economy	No. in LW	No. of workers in economy	No. in LW
Formal	6677923	3626128 54.3%	6677923	1337982 20.0%	7827251	3478445 44.4%	7827251	1143480 14.6%
Comm agric	756984	687934 90.9%	756984	616826 81.5%	929759	849678 91.4%	929759	729621 78.5%
Subsist agric	1508264	1478098 98%	1508264	1417768 94%	337136	330393 98.0%	337136	320279 95.6%
Informal	1820350	1624125 89.2%	1820350	1341055 73.7%	1833612	1627103 88.7%	1833612	1276781 69.6%
Domestic	1001108	962556 96.2%	1001108	911257 91.0%	1013150	1003738 99.1%	1013150	881178 87%
Unspec	115106	72264 62.8%	115106	49887 43.3%	43588	29486 68%	43588	11982 27.5%
Unemp	4333104		4333104		4611101		4611101	
NEA	10241611	30392 0.3%	10241611	26505 0.3%	13833483	4711 0.03%	13833483	4380 0.03%
Total	26454450	8697262	26454450	5958388	30429080	7323554	30429080	4367701

Source: Authors' calculations from Stats SA (2001) and Stats SA (2004).

Table 16 shows how low-waged employment is distributed among economic sectors. Using the cut off of R1,000 per month we see that although there is a fairly high degree of low-waged employment in all sectors of the economy, low-waged employment is most evident in households (domestic work), agriculture, construction and retailing.

Table 16: Low-waged employment by Economic Sector

Economic Sector	LFS 2000					LFS 2004				
	Total in sector	<=R 2500		<=R1000		Total in sector	<= R2500		<=R 1000	
		No.	%	No.	%		No.	%	No.	%
Agriculture	2536397	2309139	91.0	2399233	94.6	1339863	1110548	82.9	1240814	92.6
Mining	475692	83862	17.6	342515	72.0	589904	22609	3.8	326097	55.3
Manufacturing	1503791	412443	27.4	992883	66.0	1684519	379165	22.5	936706	55.6
Electricity, gas, water	91527	16324	17.8	42520	46.5	110970	7260	6.5	25499	23.0
Construction	604222	256061	42.4	436132	72.2	678909	264671	39.0	509938	75.1
Wholesale/ Retail	2505730	1190696	47.5	1820749	72.7	2489676	1089509	43.8	1785756	71.7
Transport	550741	126677	23.0	303522	55.1	604542	85936	14.2	257407	42.6
Financial	853537	118858	13.9	352600	41.3	1115713	125246	11.2	431582	38.7
Community service	1946478	328971	16.9	804257	41.3	2297676	289371	12.6	673165	29.3
Private households	1221102	1082390	88.6	1152845	94.4	1210346	1052261	86.9	1188378	98.2
Ext org/ foreign	4545			1818	40	5980	582	9.7	2892	48.4

Source: Authors’ calculations from Stats SA (2001) and Stats SA (2004).

Table 17 shows the distribution of low-waged employment by occupations. As it to be expected, low-waged employment is a feature of particular occupations – mainly domestic work, farm work and elementary occupations.

Table 17: Low-waged employment by occupations

Occupation	LFS 2000					LFS 2004				
	Total in Occup.	<=R1000		<=R2500		Total in Occup.	<=R1000		<=R2500	
		Number	%	Number	%		Number	%	Number	%
Management	652883	68284	10.5	163674	25.1	854060	47903	5.6	114552	13.4
Professionals	451142	15202	3.4	53833	11.9	549197	11350	2.1	31086	5.7
Technical	1075211	120323	11.2	359897	33.5	1196526	102407	8.6	248360	20.8
Clerks	1061895	156713	14.8	485743	45.7	1243450	149212	12.0	435002	35.0
Service and shop workers	1381317	583834	42.3	946610	68.5	1423499	456659	32.1	922919	64.8
Skilled agriculture /fishery	1898871	1755337	92.4	1819068	95.8	366828	301575	82.2	321889	87.7
Craft & related occupations	1461991	550798	37.7	1049901	71.8	1478906	439230	29.7	964732	65.2
Plant & machine operators	1160261	345653	29.8	904711	78.0	1228550	284614	23.2	852278	69.4
Elementary Occupations	2161677	1422302	65.8	1912929	88.5	2774158	1754959	63.3	2484982	89.6
Domestic workers	1022240	911257	89.1	962556	94.2	1022174	881537	86.2	1004097	98.2
Total	12327488	5929703		8658922		12137348	4429446		7379897	

Source: Authors’ calculations from Stats SA (2001) and Stats SA (2004).

Table 18 shows the form of employment for low-waged workers. Using R1,000 as the cut off to classify low-waged work, the data show that, although most low-waged workers have permanent employment relationships, a significant number are employed in temporary and casual jobs.

Table 18: Low-waged workers, type of employment

	LFS 2000				LFS 2004			
	<=R2500		<=R1000		<=R2500		<=R1000	
	No.	%	No.	%	No.	%	No.	%
Permanent	4074358	70.8	1969765	60.1	3711559	63.3	1622406	50.7
Fixed per. contract	183582	3.2	105107	3.2	265108	4.5	114480	3.6
Temporary	898901	15.6	712834	21.7	1175409	20.0	913790	28.6
Casual	512978	8.9	408762	12.5	609799	10.4	459479	14.4
Seasonal	87298	1.5	85130	2.69	105031	1.8	90071	2.8
Total	5757117	100.0	3281598	100.0	5866906	100.0	3200226	100.0

Source: Authors' calculations from Stats SA (2001) and Stats SA (2004).

Table 19: Low-waged workers, membership of trade unions

	LFS 2000				LFS 2004			
	<=R2500		<=R1000		<=R2500		<=R1000	
	No.	%	No.	%	No.	%	No.	%
Yes	1525097	27.5	410168	12.7	1104547	18.9	219205	6.8
No	4013528	72.5	2824973	87.3	4733027	81.1	2982893	93.2
Total	5538625	100.0	3235141	100.0	5837574	100.0	3202098	100.0

Source: Authors' calculations from Stats SA (2001) and Stats SA (2004).

Table 19 shows trade union membership among the low-waged. Only a small proportion of those earning below R1,000 per month have trade union membership, and access to trade union services. At the higher level of R2,500, just under one-fifth of workers belong to trade unions. Table 20 elaborates on this, showing more detailed data on income and trade union membership. Trade union membership is associated with higher income brackets for both periods. There is less than 10 per cent of workers earning R500 or less who are members of a trade union. The implication is that the higher the income the higher the likelihood that a worker is a trade union member.

Table 20: Trade union membership, by income

Income category	LFS 2000			LFS 2004		
	Yes	No	Total	Yes	No	Total
None	0 0.0%	3211 0.1%	3211 0.1%	0 0.0%	11507 0.2%	11507 0.2%
R1-200	38602 2.5%	568121 14.2%	606723 11.0%	8765 .8%	276834 5.8%	285599 4.9%
R201-500	77300 5.1%	1148279 28.6%	1225579 22.1%	41801 3.8%	952009 20.1%	993810 17.0%
R501-1000	294265 19.3%	1105361 27.5%	1399626 25.3%	168639 15.3%	1742542 36.8%	1911181 32.7%
R1001-1500	467530 30.7%	596826 14.9%	1064356 19.2%	234477 21.2%	907219 19.2%	1141696 19.6%
R1501-2500	647399 42.4%	591729 14.7%	1239128 22.4%	650865 58.9%	842915 17.8%	1493780 25.6%
Total	1525096 100.0%	4013527 100.0%	5538623 100.0%	1104547 100.0%	4733026 100.0%	5837573 100.0%

Source: Authors' calculations from Stats SA (2001) and Stats SA (2004).

Table 21 shows low-waged work by the type of employer. The data show that low-waged work occurs primarily in the private sector. Very small numbers of workers in the government and NGO sector are paid low wages.

Table 21: Types of businesses employing low-waged workers

	LFS 2000				LFS 2004			
	<=R2500		<=R1000		<=R2500		<=R1000	
	No.	%	No.	%	No.	%	No.	%
Central govt	60281	1.0	11990	0.4	39277	0.5	8459	0.2
Prov govt	373201	6.5	93293	2.8	200156	2.7	55400	1.3
Loc govt	158751	2.7	53988	1.6	115468	1.6	42187	1.0
Govt enterprise	155190	2.7	40129	1.2	65105	0.9	16459	0.4
Non-profit org	85925	1.5	48505	1.5	61056	0.8	35182	0.8
Coop/self help					61335	0.8	28358	0.6
Priv bus/self-emp	4940069	85.6	3078787	92.5	5514158	74.8	3165114	71.6
Self-employed					1320191	17.9	1071379	24.2
Total	5773417	100.0	3326692	100.0	7376746	100.0	4422538	100.0

Source: Authors' calculations from Stats SA (2001) and Stats SA (2004).

Our statistical overview, presented over Tables 1-21, suggests that low-waged employment is extensive. Using a conservative cut off point at R1,000 per month, some 39 per cent of the workforce may be classified as low-waged. Given the history of industrial development in South Africa, and the high levels of inequality in the society, this incidence of low-waged work is hardly surprising. As is to be expected, low-waged employment occurs mainly among African workers, and it occurs mainly in specific sections of the economy: in domestic work, in farm work and in the informal economy. Low-waged workers tend to be less skilled, have more precarious employment and do not, by and large, belong to trade unions.

Section B: The informal economy: conceptual issues and definitions

Although the notion of the informal economy only recently has been conceptualised and studied seriously in South Africa, informal and flexible forms of labour are a historical feature of the South African labour market. A key characteristic of the apartheid system and the racial pattern of South Africa's industrialisation, was the flexible system of contract labour and migrant labour (see, among others, Hindson 1987, Legassick 1974, Wolpe

1972). Related to the flexibility were high levels of unrecorded informal economy activities, particularly in African areas. Indeed, several micro-level studies conducted in the early 1980s suggested that extremely high levels of informal economy activity were taking place (see for example Cross and Preston-Whyte 1983, Webster 1984 on informal activity in Soweto, Wellings and Sutcliffe 1984 on informal activity in Durban).

Whilst the apartheid system forced many black South Africans to earn their livelihoods in the informal economy by restricting their access to the formal economy, the apartheid state also actively constrained millions of South Africans in their attempts to make a productive living through informal economy activities. Standing, Sender and Weeks (1996) list all the apartheid legislation that restricted the economic activities of African, coloured and Indian South Africans. The Black Urban Areas Consolidation Act (25 of 1945) and the Group Areas Act (36 of 1966) restricted the right of black entrepreneurs to establish and operate businesses. Apartheid legislation limited the range of goods that could be sold, blocked the formation of companies by blacks, and set up an array of bureaucratic processes that discouraged the registration of small-scale economic activity. The impact of repressive legislation on the development of black informal economy activities cannot be underestimated. For example, Davies (1987) conducted extensive surveys to investigate the major obstacles confronting black entrepreneurs in Port Elizabeth. He found that bureaucratic and political controls were ‘without doubt, ... the single most important factor that has limited black entrepreneurial growth and development’ (Davies 1987:40). The findings were reiterated in similar studies of black micro-enterprises undertaken during the 1980s in Soweto, Port Elizabeth and Durban (Rogerson 1997:20). The restrictive environment in which these businesses had to operate forced them to be largely of a survivalist nature. Although the legislation was relaxed in the late 1980s and early 1990s, apartheid history has impacted on the nature of informal activity taking place today. Within the retail sector Lund (1998) points out how many commentators have noted the lack of diversity in South African trading in comparison to other African countries. Particularly striking in a comparative African context is the extent to which informal manufacturing activities in South Africa are underdeveloped. In their study of home-based work conducted in the early 1990s, Manning and Mashigo (1993:31) note that where manufacturing did occur, discrimination against blacks resulted in African-owned micro-enterprises being located in those segments of the

manufacturing sectors that were of lowest value, poorest in quality and least lucrative.

With the heightened political activity of the 1980s and the onset of reform, there was renewed interest in the informal sector, with much of the popular writing celebrating the energy of the informal sector (the emergence of the minibus industry, for example), and the emergence of new black entrepreneurship and economic opportunity. Preston-Whyte and Rogerson's (1991) volume on the informal economy marked the first sober assessment of the emerging informal sector, with rich case studies documenting informal activity in a range of industries, and raising some of the important policy issues at the time.

The onset of the political transition and the necessity to develop industrial and labour market policy for post apartheid South Africa led to some analyses of the possibilities to expand employment in the informal economy. This issue was taken up by the Industrial Strategy Project (Joffe et al 1995, Manning and Mashigo 1993). Much of this later focus was linked to policy on small business development and was quite influential in the White Paper (WP) on Small Business Development of the Department of Trade and Industry (DIT). This government WP on the SMME sector distinguishes four categories of SMMEs; medium enterprises (assets of about R5 million), small enterprises (employ between 5 and 50), micro-enterprises (involving owner, some family members and one or two employees) and survivalist enterprises, which comprises the bulk of the informal economy in South Africa. The WP recommends that different support strategies are required for each category of the SMME sector. Yet, whilst outlining concrete proposals for the small, medium and micro categories, the WP is mute on support strategies for the survivalist category, which is really our area of interest. Budlender et al (2004) argue that whilst the government's WP on small business recognises that the survivalist sector has the largest concentration of women and lists as one of its key objectives to 'support the advancement of women in all business sectors', the DTI offers very little, if any, support to those operating in the survivalist segment of the informal economy. Lund (1998:11) argues that 'it would seem that the SMME policy...has little relevance for the survivalist sector – in particular for women street traders and home-based workers. What is seen by policy makers as a micro-enterprise is not micro enough. And though the government espouses policy support for the development of micro-enterprise, little in the way of material support has been allocated so far'.

As in other contexts, the literature in South Africa has been concerned with issues of definition. Despite Peattie's (1987) critique of the term 'informal sector' as an 'utterly fuzzy' concept and her suggestion that those interested in policy and analysis of this phenomenon should start by abandoning the concept, the concept continues to be used in all countries, including South Africa. Since Keith Hart (1973) first coined the phrase 'informal sector' in the early 1970s to describe the range of subsistence activities of the urban poor, there has been considerable debate about what exactly the term refers to. The most quoted definition is that contained in the International Labour Organisation's Kenya Report (1972:6) in which informal activities are defined as 'a way of doing things', characterised by 'ease of entry; reliance on indigenous resources; family ownership of enterprises; small scale of operation; labour intensive and adapted technology; skill acquired outside of the formal school system; and unregulated and competitive markets'.

For our purposes, two important points are worth noting. First the term 'informal sector' disguises a significant degree of heterogeneity. Informal activities encompass different types of economic activity (trading, collecting, providing a service, and manufacturing), different employment relations (the self employed, paid and unpaid workers, and disguised wage workers) and activities with different economic potential (survivalist activities and successful small enterprises). A second and related problem is the distinction between the formal and informal 'sectors' as if there was a clear line dividing the two. Closer analysis of this phenomenon demonstrates that they are integrally linked. With the exception of illegal activities there are few examples of informal operators who are not linked (either through supply or customer networks) into the formal economy. As Peattie (1987:858) points out, 'if we think about the world in terms of a formal and informal sector we will be glossing over the linkages which are critical for a working policy and which constitute the most difficult elements politically in policy development'.

Using the term informal 'economy' rather than informal 'sector' partially addresses such concerns. The term 'economy' implies a greater range of activities than 'sector'. If both formal and informal activities are seen as part of the economy we are better able to see the linkages between the two. Implied in the notion 'in'formal is that there is a formal, a norm, against which these other activities can be compared. As with any norm this will be time and context specific. With respect to the labour market Eapen

(2001:2390) points out how some analysts (eg Papola 1980, Banerjee 1985) defined informality in terms of the absence of characteristics that belong to 'formal' activities, like security/regularity of work, better earnings, existence of non-wage and long term benefits, protective legislation and union protection. She goes on to point out that in a situation in which a number of activities within the formal sector are getting 'informalised' and private, small scale processing/manufacturing enterprises are growing, 'the borderline becomes blurred'. Considering this issue from another angle, Bromley (1995:146) asks 'if an enterprise is required to have six official permits, for example, but only has five, should it be considered informal even when the sixth derives from a moribund regulation that most entrepreneurs ignore?' She goes on to conclude: 'formality and informality are really the opposite poles of a continuum with many intermediate and mixed cases' (Bromley 1995:146).

For statistical purposes, the accepted international standard for defining the informal sector was agreed in a resolution at the 15th International Conference for Labour Statistics (ICLS). An important criterion of the ICLS definition is that employment in the informal economy is based on the characteristics of the *enterprise* in which the person is employed instead of the characteristics of the worker employed. The ICLS definition recommends that informal sector enterprises be defined in terms of one or more of the following criteria:

- non registration of the enterprise in terms of national legislation such as taxation or other commercial legislation;
- non-registration of employees of the enterprise in terms of labour legislation;
- small size of the enterprise in terms of the numbers of people employed.

Statistics South Africa (SSA) uses this employment based definition in order to derive estimates of informal employment in South Africa. The ILO (2002) and the 17th ICLS have recently proposed a definition of the informal economy which is based on the employment characteristics of the worker. The 2002 International Labour Conference proposes the following definition: The informal economy comprises informal employment (without secure contracts, worker benefits or social protection) of two kinds. The first is informal employment in informal enterprises (small unregistered or unincorporated enterprises) including employers, employees, own account operators, and unpaid family workers in informal enterprises. The second is informal employment outside informal enterprises (for formal enterprises,

for households or with no fixed employer), including: domestic workers, casual or day labourers, temporary or part-time workers, industrial outworkers (including home based workers), and unregistered or undeclared workers.

The difference between these definitions is captured in Table 22. The enterprise based definition, currently used by SSA, is made up of cells 3 and 4 with the enterprise being the unit of analysis. In contrast, the new employment based definition, now recommended by both the ILO and the ICLS, examines the nature of the work being performed and defines the informal economy as being made up of cells 2 and 4 – ie that informal employment includes workers employed in the formal enterprises, but not having the traditional employment benefits that are attached to formal jobs (cell 2), and it excludes workers employed in informal enterprises who do enjoy such benefits (cell 3). An issue that arises and which we seek to address in this section is whether the employment based definition would be more appropriate to capture the informal economy in South Africa. Devey et al (2005) have argued that the employment based definition would be more appropriate for South Africa.

Table 22: Formal and informal employment – definitional differences

Production units	Types of jobs	
	Formal employment	Informal employment
Formal enterprises	1	2
Informal enterprises	3	4

Key: Formal employment=1; Enterprise based definition of the informal sector= 3+4; Informal employment ie employment based definition= 2+4.

An important policy issue in the South African context that has received the attention of scholars is the size of the informal economy.

Section C: Trends in the informal economy in South Africa

Internationally, there is a growth in the numbers of people working in the informal economy, either self-employed in unregistered enterprises or as wage workers in unprotected jobs. A recent collation of international statistics on the informal economy states: ‘Informal employment comprises one half to three quarters of non-agricultural employment in developing countries’ (ILO, 2002:7). Table 23 lists the percentages in regions.

Table 23: Informal employment as a proportion of non agricultural employment

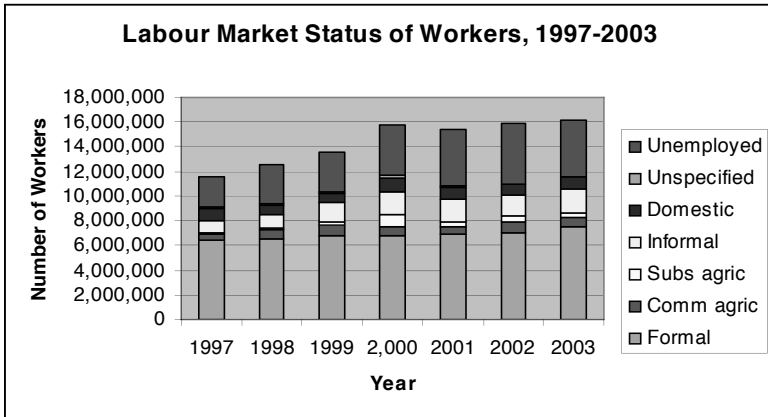
Region	Percentage
North Africa	48%
Sub-Saharan Africa	72%
Latin America	51%
Asia	65%

Source: Adapted from ILO (2002:7)

It is thus clear that in many parts of the world informal employment is the norm. Further Chen (2001:72) cites that 83 per cent and 93 per cent of new jobs were created in the informal economy in Latin America and Africa respectively. This indicates that the trend of informalisation is unlikely to be reversed. Informal employment, however, is not only a developing country phenomenon. The ILO (2002:7) states that three categories of non-standard or atypical work – self-employment, part-time work and temporary work – comprised 30 per cent of overall employment in 15 European countries and 25 per cent of total employment in the United States.

Figure 1 shows broad trends in the labour market in South Africa over the period 1997 to 2003. As Altman (2005) shows, formal sector employment has been growing consistently since 1997, albeit at relatively low rates of growth. We see a sustained growth in unemployment. One segment of the economy which seems to have generated employment is the informal economy.¹ In this sector, employment increased from 965,000 in October 1997 to 1.9 million in September 2003, more than doubling over a period of 6 years. For a number of reasons, this trend must, however, be treated with some caution. First, we are using data from the October Household Survey for the period 1997-1999 and the Labour Force Survey for the period 2000-2003, two separate surveys which are not directly comparable. Second, Devey et al (2004) point to two serious problems with these estimates of informal employment. They highlight the fact that there are several inconsistencies in the data on informal employment. More importantly, they show that Statistics South Africa has improved its capturing of informal employment so that at least part of the increasing trend in informal employment is simply better capture of the phenomenon. Notwithstanding these difficulties, it is now widely accepted that informal employment has grown since the political transition and that, as the data shows, this growth has declined in recent years.

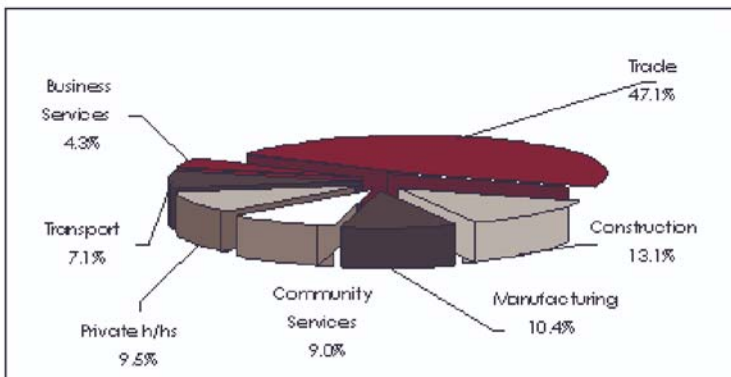
Figure 1: Labour market status of workers in South Africa, 1997-2003



Source: Authors' calculations from October Household Survey and Labour Force Surveys

Drawing on the latest available figures – from the March 2004 LFS – Figure 2 shows the distribution of informal workers by industrial sector. From this it is clear that informal employment in South Africa is concentrated in trade, with just under half of all informal workers located in this sector. Further, there are significant numbers of people working in construction, manufacturing and services. In comparison to other developing contexts, South Africa's informal economy is disproportionately dominated by trade (see, for example, Charmes 2000 figures for other African countries).

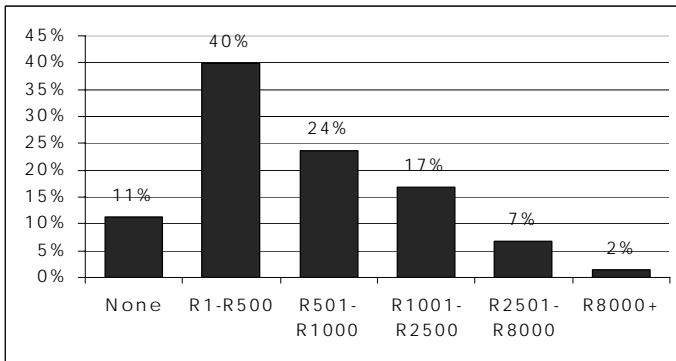
Figure 2: Informal economy by sector, March 2004



Source: Authors' calculation from LFS, March 2004

Figure 3 is a graphical representation of monthly incomes in the informal economy. It is clear from the figure that 51 per cent of those working in the informal economy earn R500 or less (with a significant number of people reporting earning nothing) and that 92 per cent earn less than R2501. This suggests a correlation between being poor and working in the informal economy. This relationship is confirmed in previous analyses using LFS data (see, for example Meth, 2002).

Figure 3: Incomes in the informal economy, March 2004



Source: Authors' calculations from LFS, March 2004.

Table 24 contains summary statistics about the sex and race of those working in the formal sector, the informal sector, and domestic work. As is the case internationally,² there is a gender dimension to the informal economy in South Africa. It is clear from the table that although more men than women work in the informal economy, the difference is less than is the case for the formal economy. It is also clear that the overwhelming majority of domestic workers are women. Within the informal economy, smaller scale surveys and qualitative research indicate that women tend to be overrepresented in the less lucrative tasks (see, for example, Lund 1998 for gendered re-analysis and synthesis of research on street trading). Finally, with respect to race, the majority of those working in the informal economy are black.

Table 24: Formal, informal economies and domestic work by sex and race

	Formal Sector	Informal Sector	Domestic	% of Total Population
Male	61.9%	57.9%	3.8%	52.3%
Female	38.1%	42.1%	96.2%	47.6%
Black	60.1%	89.3%	89.7%	79.7%
Coloured	14.3%	4.8%	10.2%	8.9%
Indian	4.6%	1.2%	0.0%	2.4%
White	20.9%	4.7%	0.0%	8.9%

Source: Authors' calculations from LFS, March 2004.

It is thus clear that a large number of South Africans work in the informal economy and that this component of employment is increasing. The South African informal economy is disproportionately dominated by the retail and wholesale trade. Further there is a close correlation between being poor and working in the informal economy. Finally there is a gender and race dimension to informal work.

One interesting issue that has received some attention in the literature is why, in contrast to other developing country examples, has South Africa's informal economy remained so small, in spite of the extremely high levels of unemployment. Kingdon and Knight (2001) show that the unemployed are significantly worse off than those operating in the informal economy and argue that the informal economy in South Africa has high barriers to entry – some related to the historical racial impediments to blacks entering the informal economy but, Kingdon and Knight argue, labour market legislation and access to credit may be significant barriers to growth in informal employment. A more plausible argument, however, may be that given large firms' dominance of the South African economy, smaller economic agents, including informal workers, lack access to markets. There is some evidence to support this contention. Altman's (1995) study of the clothing industry shows that the market is dominated by large firms who are unwilling to subcontract production, and that smaller firms are unable to supply to required quality standards. Similar evidence, in other manufacturing industries, is provided in the report of the Industrial Strategy Project (Joffe et al 1995). Furthermore, where informal workers are able to easily enter

markets, such as in street trading, these activities tend to be highly overtraded and incomes are exceptionally low (see Skinner 1999, 2005).

Lund (1998) provides an excellent overview of South African research on street trading, by far the most prominent and extensive form of informal activity. She shows that there has been a large number of repetitious studies, almost all based on small samples, exploring the extent of street vending, and reporting on the lives of these workers. From this, she argues, we get a ‘limited sense of the dynamics of peoples’ lives’ (1998:40). Building on this overview, Lund and Skinner explore two central issues of relevance to street trading. Firstly, in Lund and Skinner (1999), they explore the vexed issue of representation of informal economy workers. They show that a number of organisations that claim to represent the interests of informal workers lack adequate records of membership, and offer very few services to informal workers. More often than not, these organisations emerge as some contentious issue boils over and then, as the issue dissipates, the organisations quickly disappear. Secondly, Skinner (1999) explores the issue of local government regulations and policy toward the informal trading. In a five city study, she shows that South African cities differ fundamentally in their approach to local policy for the informal economy.

Section D: Linkages between the formal and informal economy

A critical consideration for policy purposes is the contribution that the informal economy makes to national output. An argument that the Presidency and the ANC make, in their recent documents about the ‘Second Economy’ is that it contributes ‘little to GDP’. In fact, the informal economy contributes somewhere between 7 and 12 percent of GDP. In its estimates of GDP in South Africa, the South African Reserve Bank uses expenditure surveys of households to estimate the contribution of the informal economy, which it captures via its estimates of private consumption expenditure of households. On this basis, the informal economy contributes some 7 per cent of GDP. Using an alternative methodology, Budlender et al (2001) estimate that the informal economy contributes between 8-12 per cent of gross domestic product.

A particular problem in policy terms, for those working in the informal economy, is the idea of the second economy being ‘structurally disconnected from the first’. Case material evidence indicates that there are multiple forward and backward linkages between formal and informal activities. Consider, for example, Ince’s (2003) work on informal clothing

manufacturing in a residential area in Durban. Not only do manufacturers source their inputs in the formal economy, but the garments often end up in formal retail stores. Witt’s (2000) work on informal fruit and vegetable distribution demonstrates multiple linkages. It is these linkages which, in policy terms, are often the most interesting places to be concentrating on. Finally, the idea of the ‘Second Economy’ homogenises a heterogeneous set of activities.

The panel component of the Labour Force Survey allows us to explore dynamics in the labour market. The sampling design of the LFS, which is conducted bi-annually in March and September, allows for 80 per cent of the sampling in each wave to remain in the sample. Thus, households remain in the sample over five waves of the LFS. In another paper (Devey et al 2005), we explore these dynamics beginning in September 2001, for five waves of the LFS ending in March 2004. Matching the individuals in these households over the period, we are able to get some indication of the extent to which workers move between employment and unemployment, and when employed between different segments of the economy, such as formal and informal.³ In total, we are able to match 5,587 individuals over the period.

Table 25 gives a broad overview of how the status of these workers changed over the period. The data show that there is a surprising level of churning within the labour market, with more than half of the workers’ status having changed at least once over the period September 2001 to March 2004. As is to be expected, for those workers whose status remained unchanged, most tended to be employed in the formal sector, or remained economically inactive. Only 1.3 per cent of the 5,587 workers that remained in the panel continued to work in the informal economy over the period under consideration.

Table 25: Labour market status, Sept. 2001 to March 2004, n=5587.

Type of Worker	Frequency	Percent
Remained in the formal economy	1175	21.0
Remained economic inactive	1077	19.3
Remained in commercial agric.	99	1.8
Remained as a domestic worker	89	1.6
Remained unemployed	74	1.3
Remained as informal worker	71	1.3
Worker status changed	3002	53.7
Total	5587	100

Source: Authors’ calculations from various LFSs

In Table 26 below we remove from the panel all workers who did not engage in informal economy activities over the period, ie we retain only workers who have been engaged in informal economy activities for at least one period. This reduces the number of workers from 5,587 to 1,009. Again, we see a surprising level of churning occurring, with only 7 per cent of workers remaining as informal workers over the entire period.

Table 26: Labour market status of informal economy workers, September 2001 to March 2004, n=1009

Type of Worker	Frequency	Percent
Informal for 5 periods	71	7.0
Informal for 4 periods	88	8.7
Informal for 3 periods	106	10.5
Informal for 2 periods	202	20.0
Informal for 1 period	542	53.7
Total	1009	100

Source: Authors' calculations from various LFSs

Table 27 below shows the movement of workers that were employed in the informal economy in any one period over the panel. As is to be expected, a large number of workers moved between the informal economy and being unemployed or economically inactive. A significant proportion of workers (18.3 per cent) moved between formal and informal employment.

Table 27: Shifts between informal work and other labour market status

Type of Change	Frequency	Percent
Informal and unemployed and not economically active	191	18.9
Informal and not economically active	190	18.8
Informal and formal	185	18.3
Informal, formal and unemployed	77	7.6
Informal, formal and not economically active	73	7.2
Remained in informal	71	7.0
Informal and unemployed	60	5.9
Informal, formal, unemployed and not economically active	44	4.4
Other	118	11.7
Total	1009	100

Source: Authors' calculations from various LFSs

If we reduce the period under consideration to just six months, from September 2003 to March 2004, we still find fairly high levels of churning in the labour market. Of individuals recorded as informal workers in September 2003, in March 2004, 44.5 per cent reported working in the informal economy, 17.3 per cent reported working in the formal economy, 11.4 per cent reported being unemployed, and 23.7 per cent reported being not economically active. Of individuals recorded as formal workers in September 2003, in March 2004, 3.4 per cent reported working in the informal economy.

These linkages between employment in the formal and informal economy are corroborated by other studies. Devey et al (2004) show that many workers classified as formal workers have employment characteristics that are consistent with informal work. There is also significant evidence from micro-level studies which highlights the growing informalisation of previously formal work. Kenny (2000) in her analysis of the retail sector, not only demonstrates that casual and subcontracted labour constitutes up to 65 per cent of total employment, but highlights how core tasks like shelf packing are increasingly done by employees of labour brokers, contracted by suppliers. Skinner and Valodia (2001) analysed the Confederation of Employers South Africa (COFESA), a labour consultancy that assists companies to restructure their workforces, to change employees to contractors and to outsource production to them. COFESA firms no longer have to adhere to collective agreements on minimum wages or contribute to any of the benefit or training schemes. In the workplace, other than changes in labour conditions, everything else remains the same. Skinner and Valodia demonstrate how by the end of 2000 they estimated that this had resulted in the establishment of over 700,000 independent contractors. COFESA members are involved in many different sectors: food, farming, transport, construction, engineering and, particularly, in footwear and clothing manufacturing. The legislative loophole in the Labour Relations Act that COFESA was using has recently been changed. It is unclear whether the processes COFESA set in place have been reversed. Theron and Godfrey's (2000) more qualitative study in which interviews were conducted with key informants in retail, mining, manufacturing (food, clothing, metal and engineering), catering and accommodation, construction and transport. Almost all informants reported an increase in the use of labour brokers and employment agencies (2000:27). There are also signs of an increase in the use of labour brokers in agriculture (see for example Du Toit and Ally 2001,

on Western Cape horticulture).

Another way to think about linkages between formal and informal work is to examine how workers from the same household engage in work in the formal and informal economy. Using the March 2004 LFS, Devey et al (2005) explore this issue. In the survey, only 2 per cent of households (about ¼ million) contained ONE formal and ONE informal worker. When the formal worker was a manager (n=9,776), 30 per cent of the cohabiting informal workers were professionals and 39 per cent were in technical occupations. When the formal worker reported an elementary occupation (n=66,446), of the cohabiting informal workers, the distribution was: 44 per cent elementary occupations; 14 per cent craft workers; 11 per cent service; 11 per cent clerks; < 6 per cent technical; and 2.5 managers. These trends are not surprising, given the class structure of households in South Africa, but the data indicates that there are in fact close linkages between work in the formal economy and work in the informal economy.

Another important aspect of the informal economy with respect to labour is the role of foreigners, particularly from other African countries. There are no reliable statistics on the number of foreigners living and working in South Africa. It is likely however, that since the political transition, numbers have substantially increased. In the street trading sector this has become an increasingly controversial issue (see Skinner and Hunter 2001). Research on international migrants in South Africa demonstrates that they are very active in the informal economy. Studies have been conducted on specific groups of immigrants (see Gema (2001), Geyevu (1997), and Sabet-Shargi (1999) on the economic activities of Ethiopian, Ghanaian and Congolese refugees respectively). Vawda (1999) reflects on the survival strategies of different groups of migrants living in the Durban area. Peberdy and Crush (1998) highlight the contribution of cross border traders to the craft industry. Rogerson (1997) and Peberdy and Rogerson (2001) demonstrate the important role foreigners play in the creation of small businesses. A key theme that emerges in this literature is that, although foreign migrants are entering the informal economy in large numbers they tend to remain marginalised and unable to access state resources to enable progression and growth in their enterprises.

Since the mid 1980s there has been a global trend of decentralisation, with local and regional authorities having increasing decision-making power. Although this was initially a response from the international institutions to address corruption, it has now taken on a momentum of its

own. Further, Castells and Portes (1989:304) argue that local government is often more effective in responding to the informal economy because it is not embroiled in the types of policy debates which often paralyse national level initiatives. Portes and Castells make reference to Emilia Romagna in Italy, Miami and Hong Kong in demonstrating the role of local level initiatives in supporting segments of the informal economy with growth potential.

In South Africa, since the political transition, local government has been given significantly more autonomy. Not only is local government constitutionally committed to promoting economic development but, because of the gap in national government policies identified in Section C, increasingly local government is finding itself having to take responsibility for managing and supporting the informal economy. The experience in South Africa is mixed. Certain cities are embarking on a privatisation drive. This often has negative consequences for those in the informal economy (see, for example, Skinner 2000, on the consequences of privatising street trader management in Johannesburg). There are a number of more innovative responses that warrant mention. First, in 2001 the Durban Unicity adopted an informal economy policy that outlines a series of support measures for all informal economy workers. According to the policy document (Durban Unicity 2001) organisations representing the informal economy will be strengthened with a view to establishing a strong, stable negotiating relationship between local government and informal economy workers. This builds on the experience of a particularly innovative urban regeneration project in the main transport hub in the inner city – the Warwick Junction. Second, the Johannesburg City Council's establishment of a fashion district in the inner city has significantly assisted small clothing manufacturers operating there. The project not only offers skills training, but links manufacturers to markets and fashion designers.

Skinner's (2005) survey of informal enterprises in the Durban is one of the few studies available that has a large enough set of data for understanding the business operations of informal enterprises. Her study shows that there is in fact extensive entry into, and exit from, the informal economy, with most enterprises being established recently. She shows that most enterprises, particularly those of informal traders, operate in heavily overtraded markets where margins are very low.

Section E: Research agendas

This paper has concentrated on one important aspect of low-waged employment in South Africa – the informal economy. As highlighted in the earlier discussion, two other sectors of the economy, domestic work and agriculture, have a high incidence of low-waged employment. We have not reviewed developments in these sectors. This is an obvious gap that requires attention, particularly since the protective ambit of labour legislation, including minimum wages, has been extended to farm workers and domestic workers. There is an urgent need for analysis of developments in farm labour and domestic work.

An important issue that emerges in our review of the literature on the informal economy in South Africa, and in particular in relation to government support measures for the informal economy, is the merging of two different categories of business enterprises – small business and informal enterprises. The lack of conceptual clarity on these enterprises means that often the same policy is designed for enterprises employing 100 workers (the top end of small business) and a street vendor selling basic products with a turnover of less than R100 per day. There is an urgent need to unpack the analytical categories used for small business and informal enterprises.

The reliability of national survey data on informal employment, and more broadly on the lower segments of the labour market has dogged the debate on employment for a number of years. The President's recent questioning of the reliability of the national estimates of unemployment has again brought this issue to the fore. There is some anecdotal evidence that large sections of the unemployed are engaged in low-level and low-income economic activities in the informal economy, and that the estimates of informal employment should therefore be somewhat higher than they presently are (and consequently that unemployment should be lower). This is clearly a critical issue, and one that should receive the attention of the research community. Detailed field level studies to explore the economic activities of the unemployed would go some way to resolving this issue.

South Africa is one of the few developing countries that has a time use survey. Regrettably, the research community in South Africa has not sufficiently exploited this data. The data is potentially useful to understanding the dynamics between work and work activities, and is therefore particularly relevant for understanding informal employment, where the distinction between work and non-work activities is often blurred. Furthermore, a recent innovation in macroeconomic modelling, in particularly computable

general equilibrium (CGE) models, has been the incorporation of the informal economy (see, for example, Fontana and Wood 2000). These CGE models rely on time use data. Further research in this area in South Africa would not only clarify linkages between the formal and informal economy, but also bring the issues of the informal economy to the fore in macroeconomic simulations of policy options and the likely impacts of policy changes.

From a labour market perspective there is clearly a need for research aimed at better understanding the impacts of labour legislation on the low-waged sector and on the informal economy. This should focus not only on the possible negative impacts of labour legislation on employment, but also on better understanding the reach of the legislation and on the possibility of extending the protective ambit of the legislation to informal workers, whose employment is particularly vulnerable. What, for example, are the possibilities for extending some social protection, such as unemployment insurance, to the informal economy?

Skinner's (1999) research has highlighted the importance of local government policy for the informal economy. Her five city (and town) study has shown that local government authorities are taking very different approaches – from facilitative at the one extreme, to restricting at the other – toward regulating informal economy activities. There is a need for more research both to understand the outcomes of these approaches and, for policy purposes, to develop more uniform approaches to informal trade activities.

Much of the research on the informal economy has concentrated on explaining the growth of the informal economy and on the data issues. From an employment policy perspective there is an urgent need for research aimed at identifying areas for growth in informal employment and the policies needed to realise this potential. For example, what are the possibilities for growth in informal employment in services? Relatedly, most of the detailed case studies conducted have concentrated on street vendors. Further research is required on other activities in the informal economy. For example, there is certainly anecdotal evidence of extensive informal provision of construction services such as plumbing, painting, etc, yet we have no studies on these activities.

Devey et al (2005) represent the first foray at researching the employment linkages that may exist between the formal labour market and the informal economy. Further research aimed at illuminating these linkages is critical

for a comprehensive understanding of employment and unemployment in South Africa.

Notes

1. The other sector showing rapid growth (and then rapid decline) is subsistence agriculture. See Aliber (2003) for an analysis of the trend in subsistence agriculture.
2. See Sethuraman (1998) for an international gendered analysis of informal sector statistics. Having gone through substantial country specific data he concludes: 'The evidence reviewed suggests that not only are women's incomes lower than that of men [in the informal sector but that]... a greater proportion of women are in lower income categories than men.... This finding holds good across all countries in Asia, Africa and Latin America from which evidence is drawn'.
3. Note that the panel component of the LFS allows us to track *households* not individuals over the five waves of the survey. We have examined the sex and age profiles of workers in these households to confirm that the individuals remain in the panel. We have thus removed from the panel all households where the individuals inside the household may have changed (through, for example, migration).

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