

# **Formalisation, In-formalisation and the Labour Process within the Minibus Taxi Industry in East London, South Africa**

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## **Abstract**

This thesis focuses on the labour process within the minibus taxi industry in East London, South Africa. This industry is structurally situated within the informal sector or economy but is marked by contradictory processes of formalisation and in-formalisation. Though the taxi industry seems to straddle the formal and informal economies in South Africa, the study is conceptually framed in terms of the informal sector but in a critically-engaged fashion. The very distinction between formal and informal economies, whether in South Africa or elsewhere, is open to dispute; and, even if accepted, there are differing conceptualisations of the relationship between the ‘two’ economies. Also, the conceptual clarity of the term ‘informal economy’ has been subject to scrutiny, given the vast range of activities it is said to incorporate. While the distinction between formal and informal economies may be a useful conceptual starting-point, this thesis demonstrates that it is analytically useful to speak of degrees and forms of formalisation and in-formalisation along a continuum, rather than to dichotomize economies. The thesis therefore analyses in depth the competing and tension-riddled processes of formalisation and in-formalisation in the minibus taxi industry, and with a specific focus on the labour process.

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## **Acronyms**

**ANC** – African National Congress

**ASGISA** - Accelerated and Shared Growth Initiative for South Africa

**BCEA** - Basic Conditions of Employment Act

**BCM** – Buffalo City Municipality

**BBBEE** – Broad-Based Black Economic Empowerment

**BEE** - Black Economic Empowerment

**BRT** - Bus Rapid Transit

**CBD** – Central Business District

**COSATU** – Congress of South African Trade Unions

**DBSA** - Development Bank of Southern Africa

**DoL** – Department of Labour

**DoT** – Department of Transport

**EC** – Eastern Cape

**ECDoR&T** - Eastern Cape Department of Roads and Transport

**EEA** – Employment Equity Act

**EL** – East London

**ELTA** – East London Taxi Association

**GEAR** – Growth, Employment and Redistribution

**IDP** – Integrated Development Plan

**ILO** – International Labour Organisation

**ITP** – Integrated Transport Plan

**LRA** – Labour Relations Act

**MELTA** – Mdantsane East London Taxi Association

**MSA** – Municipal Systems Act

**MUTA** – Mdantsane Uncedo Taxi Association



**NLTTA** – National Land Transport Transition Act

**NDP** – National Development Plan

**NTTT** – National Taxi Task Team

**OLs** - Operating Licenses

**PTP** – Public Transport Plan

**RBPTS** – Road Based Public Passenger Transport System

**SA** – South Africa

**SANTACO** – South African National Taxi Council

**SANTANDA** – South African Taxi Drivers Association

**SARB** – South African Reserve Bank

**SARS** – South African Revenue Service

**SATAWU** - South African Transport and Allied Workers Union

**SD** – Sectoral Determination

**SDF** – Spatial Development Plan

**TRP** – Taxi Recapitalization Programme

**UIF** - Unemployment Insurance Fund

## **Chapter One:**

### **Introduction and Methodology**

#### **1.1 Introduction**

South Africa's public transport landscape, in particular the minibus taxi industry, was significantly influenced by the apartheid era and continues to be marked by the ongoing legacies of apartheid. The minibus taxi industry provides a crucial service to poor black communities throughout South Africa by transporting poor blacks for work and other purposes. The industry today, as located in the informal economy, is characterised though by numerous challenges which relate in large part to attempts by the South African state to formalise the industry. This thesis seeks to understand the seemingly competing processes of formalisation and in-formalisation ingrained in the minibus taxi industry specifically in the city of East London. In doing so, the more specific focus is on labour issues, including the labour process dimension. This chapter introduces the thesis, including setting the broad social context for the thesis focus, the objectives of the thesis and the research methods which underpin the fieldwork for the thesis.

#### **1.2 Context of the study**

The 'informal sector' in South Africa, like elsewhere, is very diverse (including productive, retail and service activities) and it is significant in terms of its contribution to national income and socio-economic livelihoods. Its existence in South Africa is attributable to a range of historical factors (van der Berg 1990, van Aardt 1994, Barker 1992) as well as to contemporary socio-economic and political trends, including the on-going contraction of the formal economy in South Africa.

The thesis examines specifically the labour process in the mini-bus taxi industry in East London which, in a structural sense, is located in the 'informal economy'. But it is currently subject to contradictory and contested processes of formalisation and in-formalisation (Fourie 2003). The term 'labour process' is used by Marxists to identify the common elements found in production processes in all kinds of societies; these elements are raw materials, intentional human labour and tools of production. Under capitalism, the labour process is geared towards the maximization of profit and accumulation of capital (Friedman

1977). Broadly speaking, formalisation involves post-Apartheid state-regulation of the industry while in-formalisation entails minimizing and undercutting state-regulation.

The mini-bus taxi industry in South Africa has been marked historically by exploitative labour relations between owners and drivers, with the maximisation of profit seemingly at all costs. Contributing to this has been the absence of formalised employment contracts. This has been part of a broader process of doing business in an informal way, including general disregard of safety standards in the industry and withholding or evading of taxes. The state, in a variety of ways, is now seeking to formalise the industry.

In Apartheid South Africa, it was initially near impossible for a black person (particularly a black African person) to obtain a permit to operate a taxi (Ndlovu, 2007). To a large extent, “public transport was dominated by government-owned trains and by bus companies that received subsidies from government” (ILO 2003:8). The mini-bus taxi industry, with mini-buses called *kombis*, started in the late 1970s to meet the demands of a growing urban African workforce. At the outset, the taxi industry proved to be a relatively inexpensive way to start a business but the competition became increasingly stiff. From the early 1980s to the mid-1990s, the mini-bus taxi industry grew at an extraordinary rate, as a seemingly “community-based industry ... without any form of subsidies” (Oosthuizen and Mhlambi, 2001:1). The industry was relatively unregulated (Hansen 2006).

The history of the taxi industry in South Africa involves significant if not unparalleled black economic empowerment (Macozya, 2007), with aspiring African entrepreneurs becoming the most powerful transporter of commuters in South Africa (Fourie 2003). In this regard, Khosa (1994:56) summarizes the factors behind taxi industry growth by referring to the following:

First, the bargaining power of taxi associations in mobilizing the involvement of big business in the taxi industry; secondly, the penetration of finance capital in the Black community; and thirdly, the shift in the apartheid state from previous ruthless policies on Black trading in general to accommodation of the taxi industry in particular in the 1980s and 1990s.

The birth of a new democratic South Africa in 1994 saw the state making efforts to formalize or regulate this burgeoning industry.

This process of formalisation is premised on, amongst other things, providing safe and affordable transport, well-trained drivers, reasonable (and not extraordinary) profits and acceptable employment relationships. With respect to the latter, the government introduced labour laws that seek to regulate the industry including general legislation such as the Basic Conditions of Employment Act (1997) and a sector-based determination with specific

reference to the mini-bus industry. Prevailing literature strongly suggests, however, that taxi owners tend to bypass legislation in an attempt avoid or reduce labour costs.

In addition to labour formalisation, Hansen (2006:187) argues that, with the end of Apartheid,

The new government imposed a string of regulations designed to define routes, areas, fares, and the number of taxis. Many taxis remained unauthorized and broke the rules by hunting for passengers outside their own territory, overcharging, overloading, not paying attention to maintenance standards and so forth.

Again, it appears then that the kombi taxi industry has sought to maintain its informal arrangements by resisting, thwarting or undermining state intervention in the industry (Mashishi, 2010:3). Particularly controversial has been the Taxi Recapitalization Programme (TRP), introduced by the state in 1999. The implementation of the TRP has been hugely problematic with serious disagreement existing even between taxi owners as to the nature that recapitalization should take (Geldenhuys, 2011). The South African National Taxi Council (SANTACO) argues in fact that taxi owners have been marginalized from the programme. In this regard, Oosthuizen and Mhlambi (2002:1) argue that “every time the mini-bus taxi has stood on the brink of the final phase of formalization and of starting to reap the fruits of unity and formal business practices, the process becomes derailed”.

Overall, there continues to be labour cost minimization (including deplorable working conditions for drivers), general disregard for safety standards, and conflict and violence within the industry which in certain ways relates to disputes about formalisation (SATAWU, 2012). Currently, then, the taxi industry in very complex ways straddles the formal and informal economies in South Africa.

Though I broadly conceptualise the taxi industry in terms of the notion of the informal economy or sector, I critically engage with this notion in terms of its conceptual clarity. Indeed, the very distinction between formal and informal economies, whether in South Africa or elsewhere, is open to dispute; and, even if accepted, there are differing conceptualizations of the relationship between the ‘two’ economies (Skinner and Valodia, 2006). The tensions engrained within the informal economy are in part articulated and captured by Portes et al. (1989:11) as follows: “The informal economy simultaneously encompasses flexibility and exploitation, productivity and abuse, aggressive entrepreneurs and defenceless workers, libertarianism and greediness”.

While the distinction between formal and informal economies may be a useful conceptual starting-point, it seems best to speak of degrees and forms of formalisation and in-

formalisation along a continuum, rather than to dichotomize economies. In fact, many of the tensions that exist within the ‘informal’ economy arise because of the conflict-based relations between simultaneous processes of formalisation and in-formalisation (Slavnic, 2010). To properly understand the mini-bus taxi industry in South Africa, including with regard to the labour process, it is critical to recognise and unpack these contested processes. Fourie (2003:20) for example argues that in-formalisation in the industry is “a direct reaction against the state’s regulation of the economy, in terms of both taxes and social legislation”. Owners and workers in the taxi industry handle such tensions as they seek to negotiate the conditions and terms of the labour process on an everyday basis.

### **1.3 Objective of the study**

As will be noted later on in the thesis, there is a small body of literature on the mini-bus taxi industry in South Africa, though there is nothing of significance about the minibus taxi industry in East London and with particular reference to the labour process. This in itself provides strong motivation for undertaking this thesis. In addition, there is no prevailing study which seeks to examine the minibus taxi industry (and the labour process more specifically) in relation to the tension-riddled processes of formalisation and in-formalisation in a manner which is firmly and robustly rooted in sociological theory. Thus, while filling a gap in the empirical evidence on the taxi industry, the thesis also seeks to make a significant theoretical contribution to the existing literature.

In this light, the main objective of the thesis is to understand the labour process in the mini-bus taxi industry in East London with reference to contradictory processes of formalisation and in-formalisation. In order to address this main objective, a number of secondary objectives are pursued. These include:

1. To understand the broader processes of formalisation and in-formalisation taking place in the taxi industry;
2. To understand the processes of formalisation in the taxi industry enacted by the central state with particular reference to the labour process;
3. To investigate the responses of taxi owners, their associations and taxi industry employees (notably taxi drivers) towards the formalisation process including the labour formalisation process;
4. To examine the relations between taxi owners and drivers, and the working conditions of drivers; and

5. To analyse the forms of daily interaction and ‘negotiation’ between taxi owners and employees in the taxi industry.

#### **1.4 Research methods**

The empirical focus of the thesis is East London, which is the second largest city in the province of the Eastern Cape. The mini-bus taxi industry in East London is centred in large part on the large sprawling black township of Mdantsane near East London, with Mdantsane established under Apartheid as a dormitory town for workers commuting to East London on a daily basis. Minibus taxis are individually-owned and each vehicle is effectively a profit-centre, owned by an investor or the driver himself (Buffalo City Municipality 2005:18). Though there are large numbers of owner-operators (or owners with one taxi who simultaneously are drivers), the thesis focuses on owners with at least one taxi and who employ drivers. There are about 34 taxi ranks in the broader East London area and, out of these, only 14 are considered as formal ranks. There are five taxi associations in East London to which taxi owners are affiliated, namely, East London District Taxi Association; East London Taxi Association; Mdantsane East London and Districts Taxi Associations; Mdantsane Uncedo Service Taxi Association and; Mdantsane East London Taxi Association.

For my study, I focused on taxi owners affiliated to only three taxi associations. And to reiterate, from these associations, the focus was specifically on taxi owners with employees rather than individual owner-operators. This was critical given the focus on the labour process. In undertaking the fieldwork, I pursued purely qualitative research. I made no attempt to select a random sample of taxi owners or drivers. In fact, the universe or population for these two groupings is not available. Though I may not be able to generalise from the research in any strong statistical sense, I do believe that the study has captured thematically critical issues pertinent to the labour process in the East London minibus taxi industry and the broader processes of formalisation and in-formalisation related to the industry.

The following techniques were used:

##### a) Interviews

Interviews (Durrheim 2006, Myers 1997) were conducted with a non-randomly selected group of taxi owners and taxi drivers from the three selected taxi associations. These are Mdantsane East London Taxi Association, Mdantsane Uncedo Service Taxi Association, and East London Taxi Association. I interviewed five taxi owners and six taxi drivers from each taxi association, making a total of 15 taxi owners and 18 taxi drivers. Interviews were also

conducted with Mr Pumzile Mayaphi (a Transport Director from the Eastern Cape Department of Roads and Transport, which is responsible for the formalisation of the taxi industry), the Taxi Registrar (Mr Xolisa Nkomo) in East London, and with one supervisor and three labour inspectors from the Department of Labour in East London. The South African Transport and Allied Workers Union (SATAWU) also contributed to this study, with productive interviews conducted in East London in their offices. Most of these interviews were tape-recorded. There was also follow-up clarification of key claims through e-mail correspondence with Mr. Xolisa Nkomo.

#### b) Focus group discussion

A focus group discussion is a carefully planned discussion designed to obtain perceptions on a certain topic (Janesick 1998, Neuman 2003). I held one focus group discussion with four taxi drivers from the Mdantsane East London Taxi Association, who shared their experiences of working within the taxi industry.

#### c) Primary documents

An important source of information on the taxi industry is contained in primary documentation, notably from national and provincial government departments (these include the Buffalo City Metropolitan Municipality Integrated Development Plan 2011–2016, Employment Conditions Commission Report on the Taxi Sector 2012, and the Sectoral Determination 11: Taxi Sector). These documents are particularly significant because of the limited secondary literature available on the minibus taxi industry in South Africa. In addition to national and provincial documents, I also accessed documents from the Buffalo City Municipality (for East London), such as the Integrated Development Plan, the Integrated Transport Plan and the Public Transport Plan.

There were a number of challenges involved in conducting the fieldwork. I approached taxi drivers by visiting certain taxi ranks. Initially, I had planned to interview 10 taxi drivers from each taxi association. However, taxi drivers are constantly on the road in seeking to maximise earnings and hence it was difficult to set up interviews. As well, some drivers were simply not willing to participate in the study. I remember for instance one driver responding after asking for an interview with his own question: “Now that you want information from us, what are we going to get in return?” I also wanted to conduct focus group discussions with the taxi drivers, but I only managed to organise one discussion, again because drivers said they were busy with their shifts.

Most interviews with the taxi owners took place in the respective taxi association’s office, where people were constantly coming-in and going-out during the interview process.

This caused some regrettable disruptions to the interviews, though I was able to complete the interviews. A similar problem was encountered with interviews with the taxi drivers because these interviews took place in the minibuses and at the taxi ranks. Because of the interruptions during these interviews, I tried to keep my questions very short. I also had to keep the tape-recorder very close to the interviewees to properly record the discussion.

The unavailability of female drivers (partly because taxi owners in East London employ very few female drivers) in all three taxi associations is also of concern. For future research purposes, it would be worthwhile to include female drivers in the taxi industry (though their numbers are relatively few).

At times I faced challenges in obtaining primary documentation from state officials. For instance, I sought documents from the Buffalo City Municipality with regard to informal trading in East London. Despite repeated attempts to obtain this information, no response was forthcoming. In cases such as these, I had to find alternative sources of the relevant information.

In terms of data analysis, qualitative analysis involves processes whereby the researcher moves in a controlled and systematic fashion from the qualitative data collected to some form of thematic categorisation and classification and then on to understanding, interpreting and explanation (Blanche, Durrheim and Kelly 2006:321). Based on the interviews and focus group discussion conducted and the primary documents collected with respect to the minibus taxi industry, I sought to undertake the following steps: familiarisation and immersion in the evidence, inducing and unpacking themes, coding of the evidence based on the themes, drawing connections between the themes, and then interpretation and understanding. Many of the themes decided upon overlapped and at times it was difficult to disentangle the evidence into specific themes, but this reflects the on-the-ground complexities of the taxi industry. This complexity is discussed through the thesis in relation to competing and messy processes of formalisation and in-formalisation.

With regard to research ethics, I abided by standard research protocol throughout the fieldwork process. Privacy, confidentiality and respect were in particular taken into consideration. I ensured that interviews with the taxi drivers did not in any way jeopardise their employment and that they could express their views openly without fear of these views being revealed to the taxi owner.



## **1.5 Thesis outline**

The thesis consists of four main chapters, plus a conclusion. Chapter Two focuses on: conceptualisations of the informal sector and debates about the linkages between the formal and informal economies; questions about the dual processes of formalisation and in-formalisation and the intricacies of these processes; the character of the labour process under capitalism and specifically about petty commodity activities (such as the taxi industry), including the centrality of managerial function to the labour process. This chapter sets the broad theoretical framing for the thesis.

Chapter Three looks specifically at South Africa and, in doing so, discusses many of themes raised and addressed in chapter two. This chapter looks at the following: the broad parameters of the contemporary South African political economy; controversies about the informal economy in the country including the dual economy thesis; post-Apartheid initiatives by the state to formalise labour relations; and the taxi industry in South Africa, such its history, the recapitalisation programme and labour process conditions in the industry. This chapter is also in large part contextual, as it sets the scene for the study of the mini-bus taxi industry in East London more specifically, as detailed in the following two chapters.

Chapters four and five examine the tensions between formalisation and in-formalisation in the taxi industry in East London. Chapter Four provides an overview of formalisation broadly of the taxi industry, and thus makes reference to a range of Buffalo City Municipality plans including the Integrated Development Plan, the Integrated Transport Plan, the Public Transport Plan, and the Public Transport Framework Plan for Mdantsane. These plans, which seek to regulate and streamline the local minibus industry, have not gone uncontested, and hence the perspectives and actions (and non-actions) of the taxi associations are brought to the fore in seeking to identify attempts at resisting formalisation and maintaining in-formalisation.

Chapter Five discusses the labour process and working conditions within the minibus taxi industry in East London. In doing so, I seek to identify the character of the minibus taxi industry labour process, notably what I call its decentralisation. I examine this in the context of a broader discussion of the major players in the taxi industry in East London and how the taxi associations and taxi drivers seek to position the industry as a servant of the urban poor. As with the taxi industry in East London generally (as outlined in chapter four), there is considerable tension between state efforts to regulate labour within the industry and resistance on the part of owners (and at times drivers) to inhibit this regulation and formalisation. This, as the chapter goes on show, has significant implications for the

unionisation of taxi drivers in the city.

Chapter Six concludes the thesis by seeking to draw the linkages between the contextual framing of the study (including the theoretical framing) and the empirical evidence arising from the study of the minibus taxi industry in East London. This chapter therefore, besides seeking to merely summarise the main points in the thesis, tries to show the significance of the thesis in contributing to the sociological understanding of the minibus industry in South Africa as a whole.

## **Chapter Two:**

### **Understanding the Informal Sector/Economy – A Case of Petty Commodity Production**

#### **2.1 Introduction**

This chapter examines the conceptualisation of the informal sector. To a large extent, it critically engages with the relevant literature on informal sector. It is argued that the very distinction between formal and informal economies is subject to dispute, and that there are differing conceptualisations of the relationship between the ‘two’ economies. In particular, I seek to problematize the dichotomy “formal-informal sector”, and establish a relationship between the sectors, meaning that they are integrally related. The chapter has got three main sections: the first section considers capitalism, the labour process and petty commodity production. Central to the labour process is the organization (of the labour process) and labour control within labour process. This is how work is organised; in other words, how people work and who controls their work. Most importantly, is also how people are paid for the work they do. The second section considers the informal sector/economy. This is followed by a sub-theme that discusses the conceptualisation of the informal sector or economy, and another sub-theme on the three approaches to the informal sector/economy, and these are, the economic reformist approach, the legalist approach, and the structuralist approach. This chapter uses mainly the latter (structuralist approach), as it offers a convincing account of the informal sector not separated from the overall economy. In this process, the informal sector is viewed as forming an integral element of the complex economy. It is along this approach that the sub-theme on “informality and labour will be argued. The third section considers formalisation and in-formalisation, and this is followed by sub-themes on understanding formalisation, understanding in-formalisation, informalisation from above, informalisation from below, and considering formalisation and informalisation as a continuum. The labour process within the contemporary capitalist system is thus informed by the contradictory processes of formalisation and in-formalisation.

#### **2.2 Capitalism, the Labour Process and Petty Commodity Production**

Marx stressed that, in order to understand capitalist society, the main focus must be on the process of production and specifically the relationship between capital and labour or between capitalists and wage-labourers (Lebowitz, 2003). Further, he argued that, once labour power

(or the capacity to labour) has been purchased as a commodity by the capitalist, the labourer works under the control of the capitalist – or under managerial control – to whom his labour (or labour power transformed into concrete labour) belongs. Workers thus expend their labour power, which is the source of all wealth, in the process of fulfilling the greedy appetite of the capitalist. As such, “accumulation of wealth at one pole is, Marx argues, at the same time accumulation of misery, agony of toil and brutality at the opposite pole, i.e., on the side of the working class” (Marx, 1961:657).

Capitalism came into being as a distinctive system of production as the labour process became subordinated to capital accumulation and labour power became a commodity or a thing-like entity bought and sold on the labour market. What the capitalists buy in the labour market is what Marx called labour power, that is, workers’ potential to do work. Drawing upon Marx’s theory, Braverman (1974) argues that under both early and modern forms of capitalism, workers are constrained economically, by the absence of alternative ways of making a living, so that they are obliged to sell their labour power to capitalists who similarly are constrained to seek a profit, hence profit maximization (Edgell, 2006; Friedman, 1977; Marx, 1978). In the end, if “all the capitalist really buys is potential, it is imperative to exert control over the labour process in order to maximize the productive potential of labour and therefore profits” (Edgell, 2006:49). In other words, labourers are by necessity subject to managerial controls in the labour process.

Edwards (1979:12) argues that “the capacity to do work is useful to the capitalist only if the work actually gets done”. Managerial control, or the function of management, is critical to the capitalist labour process; without such controls, labour power would remain a mere potentiality or capacity and commodities would not be produced and capitalists would be unable to produce value and realise that value through commodity markets (Marx, 1978). The labour process under capitalism thus consists in the fact that the capitalist consumes the labour power bought on the labour market. As such, Pansters (1985:49) argues that “such a production process has two characteristics: the capitalist controls the labour process or organizes it; and the product of the labour process belongs to him/her and not to the direct producer”. The capitalist is mainly concerned with the production of surplus value and capital accumulation. Surplus value takes the form of absolute and relative surplus value, where the former refers to value enlargement through for example the absolute lengthening of working-time, while the latter refers to value enlargement by means of an increase in the quantity or quality of the means of production or an increase in efficiencies though working-time remains constant (Edwards, 1979; Marx, 1978; Pansters, 1985).

Capital accumulation is central to the entire process of production of commodities under capitalism. It depends upon the production of surplus value or the process of valorisation such that the labour process under capitalism becomes subordinated to valorisation. The labour process under valorisation is critical both to the productive system and to the movement of capital more broadly, with which it is tightly bound and which it serves to facilitate (Edgell, 2006). The labour process is the real ‘heart’ of the capitalist economy and, because it is embedded in the productive system (and the movement of capital), it becomes connected to and underlies the totality of social relations under capitalism. It is when the labour process is organised in this way that workers are referred to as wage-labourers. Here, workers are required to provide labour power as a source of both wages and profit.

This employment relationship in capitalist production provides the basis for, as already indicated, the problem of control in the labour process, but it also underpins conflict. Conflict exists given that the interests of workers and those of capitalists clash, and what is good for one is often costly for the other (Friedman, 1977). The interests of capital and wage labour are, in the end, contradictory within the labour process. For example, if the income of workers decreases with the rapid growth of capital, there is at the same time a widening of the social chasm between workers and capitalists and often an increase in the power of capital over labour (Marx, 1978; Palloix, 1976; Singh, 1990). The labour process is, to a large extent, an arena of class conflict, and the workplace therefore becomes what Edwards’ (1979) calls contested terrain. This does not go contrary to the fact that there is relationship of mutual dependence between capital and labour, as they both need each other to obtain profit and wages respectively.

Labour control, as a function of management, lies at the core of the employment relationship when examined in terms of the labour process. Thus, “since the employment relationship is structured and inherently antagonistic, this control involves a combination of cooperation and conflict, resistance and accommodation, and a commitment to the goals of equity and fairness as well as the virtues of industrial stability and efficiency” (Klerck, 2008:69). The interaction between employer (capitalist) and employee (wage-labourer) in the labour process is aimed largely at managing the employment relationship. In this regard, labour management regularly hinges on what Edwards (1986) would call the ‘control-autonomy dialectic’, in which any worker autonomy is inscribed within overall management control. In the end, the wage labourer’s claim to wages and the employer’s claim to labour performance (and hence profit maximization) involve an asymmetrical reciprocity or a

mutual dependence heavily weighted in favour of the capitalist. Control within the labour process is critical because labour, unlike other factors of production, can rarely be pre-determined in advance in terms of the quantity and quality of tasks undertaken. While wages may be agreed to in advance, effort is not and cannot be specified exactly.

In this context, three points can be extracted to provide insight into the labour process in petty commodity production specifically, as is relevant to this thesis. First, with regard to the owner of the means of production, as understood in terms of the relationship between capital and labour, “the capitalist organizes the labour process in exchange for the surplus value received, i.e. s/he does not him/herself take part in the actual labour process” (Pansters, 1985:49). The capitalist owns, and is responsible for the totality of organisational operations, but does not necessarily perform any meaningful managerial function. This means then that the function of management and the function of execution are separated, with workers involved in the execution of tasks. Management has control of the labour process, but it is not involved in the actual execution of productive work.

This is, however, not the case with petty commodity production where a clearly-defined division of labour between capitalist, manager and wage-labourer does not exist (Moser, 1978). In petty commodity production (for example, the minibus taxi industry), the owner of the means of production regularly takes part in the actual production process. It is not simply a question of the owner also controlling (or managing) but, additionally, possibly engaging in productive labour as would a wage-labourer. This means that “as far as the labour process is concerned, the owner of the means of production has a double function: the function of capitalist/manager, i.e. the organization of the labour process; and the function of the labourer, i.e. the consumption of his/her labour power in the actual labour process” (Pansters, 1985:49).

The second point concerns the technical relations of production, that is, the relation between the direct producer and the means of production. In petty commodity enterprises, this is informed by the dominance of the producers over the means of production as opposed to industry proper where the direct producer is subordinated to the means of production (Marx, 1978; Friedman, 1977). This brings me to the last point necessary to understand the petty commodity labour process and this concerns the specification of the concept of wage-labour. Pansters (1985:51) argues that “all labour-power bought on the commodity market comes under this concept, but it is necessary to differentiate”. As such, I quote Portes when he argues that: “An important difference between wage-labourers in large-scale capitalist enterprises and petty enterprises lies in the fact that the first category also dispose of ‘indirect

wages' in the form of protection by the existing social security system" (1983:9). Given that these indirect wages (such as health, pension and welfare benefits) are not paid to wage-labourers in petty enterprises, Portes (1983) speaks of them as the 'informal proletariat' as they normally work under conditions which fall outside standard labour regulations and practices.

### **2.3 Informal Sector or Economy**

The distinction made between the capitalist labour process *per se* (manifested in the relationship between capital and labour) and the labour process in petty commodity more specifically, is sometimes mapped onto the distinction between the formal economy and informal economy respectively. This mapping does have some truth to it, insofar as petty commodity enterprises are regularly located within the informal sector. But, at the same time, it is problematic: though petty commodity production may dominate informal economies, often specific petty commodity enterprises do not have any characteristics generally attributed to informal economies (for example, wage workers may receive indirect wages). In addition employment relationships within the formal economy are, under current neo-liberal restructuring, increasingly have all the markings of an 'informal proletariat' unprotected from the wrath of market forces.

Questions around this of course depend on definitions and delimitations of formal and informal economies or sectors, some of which are detailed below. Informal enterprises, and informal economies more generally, are defined in a negative way, that is, their characteristics are seen as contrary to those of the formal sector (ILO, 1972), or the informal economy is simply what the formal economy is not. The conceptual clarity of the informal 'sector', based on an often crude dualistic distinction between formal and informal operations and activities, has though been subjected to critical scrutiny. I suggest that it is best to speak of a continuum of economic activities, meaning that formal and informal should be viewed along a continuum. In addition, it is not simply a question of being (of being either formal or informal, or somewhere along a continuum) but of becoming, that is, of complex and layered processes of formalisation and in-formalisation which tug in different directions. Because of this, many petty commodity enterprises do not fit neatly onto a formal-informal grid, or least not in a permanent location on the grid.

Even if a broad distinction could be made between formal and informal economies, it is clear that a whole series of relations of mutual dependence and inter-penetration exist between the different economies (Tokman, 1978; Birbeck, 1979; Gerry, 1979). For example,

Pansters (1985:45) argues that “this is primarily done through mechanisms such as subcontracting” of informal enterprises by formal enterprises. In this way the so-called formal and informal sectors trans-act in dynamic and fluid ways. More broadly, “any individual action is always one piece of a moving puzzle composed by interdependent actions: the action is the action only because it is interconnected to the action, and vice versa. In this logic, people are bonded together in dynamic constellations” (Depelteau, 2008:62). The relationship between the two economies is however “asymmetrical symbiotic” in that it is marked by the subordination of the informal to the formal. Breman (1976 in Singh, 1990:15) concludes that “instead of applying the concepts formal and informal, we should make distinctions in terms of different articulated production relations which can be found, with degrees of variations within the economic system of the Third World countries”.

While this may be true, and is a valid critique of a crude dual economy thesis (formal versus informal as discrete entities first existing and then entering into relations with each other), it is insufficient simply to recognise mutually-constituting articulations between forms of production (petty commodity production and others) or sectors of the economy (informal and formal). The in-formalisation and formalisation as processes regularly cut across forms of production (petty commodity production and others) such that these processes cannot be separated into the informal and formal sectors respectively. These processes, and tensions between them, exist throughout capitalist economies. This thesis therefore proposes a continuum of formality/informality as well as processes of in-formalisation/formalisation within which to understand petty production, and specifically the mini-bus taxi industry in South Africa.

### **2.3.1 Conceptualising the Informal Sector or Economy**

The informal sector or economy is generally seen as marked by the following characteristics, whether in primary, secondary, tertiary, and service industries: small-scale enterprises using labour intensive activities, low income opportunities, irregular forms of employment, low productivity, mainly self-employed persons, relatively unregulated by the state and sometimes illegal (Hart, 1973). Admittedly, such a list does not necessarily take us very far in terms of setting clearly the boundaries to the informal economy; and, in a later retrospective work, Hart (2007:5) questions the very utility of the concept:

This extension of the scope of the concept of the ‘informal economy’ to embrace rich and poor countries, government and business, casual labour and the self-employed, corruption and crime



– when taken with the wholesale devolution of central bureaucracies compared with forty years ago, leaves a question-mark over its continuing usefulness today.

It is not the purpose of this thesis to come up with a definitive conception of the informal economy and certainly not to discard it entirely. In this respect, Hart goes on to argue that there is value in the concept in that it allows one to comprehend how people devise their own means of survival in ways that are not “organized immediately as ruling elites would like” (Hart, 2007:5). In fact, the notion of activities seemingly outside the ambit of state regulation will be of significance in analysing the taxi industry in East London.

The International Labour Organization (ILO) many years ago embarked on a series of large multidisciplinary “employment missions” to various developing countries. The first of these was to Kenya in 1972, and the mission concludes that “the traditional sector had not just persisted but expanded to include profitable and efficient enterprises as well as marginal activities” (ILO, 1972). To demonstrate this fact, the Kenya mission chose to use the term “informal sector” rather than “traditional sector” for the range of small-scale and unregistered economic activities. This term was though first coined by a British economist, Keith Hart who, while studying economic activities in urban Ghana, found that many of the so-called “unemployed” were actually self-employed in informal activities (Hart, 1973).

This reference to informal employment, which is also of importance to this thesis, has created some confusion in the informal sector literature. For instance, as Swaminathan (1991:25) argues:

At least a part of the ambiguity in the literature on the informal sector stems from the failure to make a clear distinction between informal sector enterprises and informal sector employment. The term ‘informal sector’ usually refers to either enterprises or employment or both of them; the two may overlap but do not always coincide.

More specifically, informal work (or at least the in-formalisation of work) may exist in the formal sector, and formal work (for instance, regularised employment contracts) may exist in the informal sector. Out of the many characteristics that are used to identify the informal sector, the following three features of an activity recur frequently in the literature: regulation by the state, forms of ownership and the nature of employment.

Regulation by the state refers to the status of an enterprise which, in terms of the notion of formality, is registered by the state or has a license or permit from a state authority to operate legally. Given this, the informal sector involves unregistered and unlicensed enterprises which exist at the boundary of legality. In relation to forms of ownership, informal sector enterprises are apparently characterised by self-ownership and family

ownership. However, this is clearly not sufficient to categorise an enterprise as belonging to the informal sector. For example, Swaminathan (1991:26) argues that “a family-owned large factory would not be included in the informal sector”. However, when the nature of ownership is combined with un-registered and un-regulated operations, then a clearer picture of informal economic activities arise.

Of particular importance for this thesis, because of its focus on the labour process, is the character of the employment relation in the definition of the informal sector. Of course, this feature may be seen as part of state regulation more broadly, with informal employment involving the non-regulation of employment contracts and conditions. Insofar as petty commodity production is not registered and goes contrary to existing labour legislation and decrees, it may be argued that it falls squarely within the informal sector. In the case of this third feature, informal sector employment would occur in circumstances where the labour process, the employment contract and the conditions of work are outside the sphere of official scrutiny and regulation. To a large extent, then, it has become possible to define informal employment in terms of the extent of state regulation of employment conditions.

Blaauw (2005:5) seemingly takes this approach when he defines the informal sector as “unorganized, unregulated and mostly legal but unregistered economic activities that are individually or family owned and use simple, and labour intensive technology”. At first sight, this definition may seem straightforward. The notion of legal but unregistered might seem problematic but this could refer for example to informal traders where specific economic activities are mostly unregistered even though they are legally recognised. But speaking of the informal sector, or any other sector, as unorganised and/or unregulated seems dubious sociologically, a point that I will pick up on later. For now, it can be indicated that all forms of economic activity are regulated – if not directly by the state, then either indirectly by the state or in and through other forms of social relations. The state in fact may regulate informal forms of employment, facilitate a shift from formal to informal employment and play an active role in legitimating informal employment, all of which has been done by the neo-liberalising state in recent decades globally. In the end, linking the notions of ‘unregulated’, ‘illegal’, ‘irregular’ and ‘unorganised’ under the umbrella of the informal sector/economy, as Blaauw does, falsely suggests un-regulation by the state of the informal economy.

There is a voluminous literature on the informal sector (Trebilcock 2005, Hofmann 1986, Abedian and DeSmidt 1990, Marius 1987, Holness, Nel, and Binns 1999, Bromley 1978, Devarintert and Watson 1981, DeSmidt 1988, Morris et al. 2001, Portes et al. 1989, ILO 1972). Much debate, as implied already, has surrounded the issue of what qualifies as

‘informal’ and has consequently led to a plethora of theories which try to explain its existence, its functioning and its relations with the rest of the economy (Laha, 2008).

### **2.3.2 Three Approaches to the Informal Sector/Economy**

Various approaches have been developed to examine the informal sector, notably the Economic Reformist, the Legalist and the Structuralist Approach. Below I present all three approaches but argue that the structuralist approach seems to be the most convincing one in terms of conceptualising the informal sector.

#### **2.3.2.1 The Economic Reformist Approach**

Laha (2008:14) argues that “the ILO’s original take on the informal economy can be best described as an economic reformist approach”. This approach explains the increase in the informal sector through the existence of an abundant supply of labour far exceeding the demand for labour (driven mainly by rapid rural-urban migration) in the formal economy and the failure of industrialisation in creating adequate employment which can absorb labour (Gerry, 1987). The informal sector thus “acts as an intermediate space between the mainstream formal system and complete unemployment where people who are unable to find work in the formal economy take refuge” (Laha, 2008:14). Informal sector employment provides poor people with income for minimum subsistence requirements until possible employment in the formal sector opens up. It is for this reason that the informal sector is characterised by low skills and levels of education, as well as labour intensive technology. The informal economy, from this perspective, is viewed as a problem.

This understanding of informal economic activities is informed in large part by a dualistic interpretation reflected in the formal-informal dichotomy “where the former is seen as modern, dynamic and capitalist and the latter as traditional, backward and pre-capitalist where the benefits of capital do not reach the people” (Laha, 2008: 15). Given this dualistic thinking in which the dynamic formal sector is contrasted to the passive informal sector, informality is seen as a feature of underdevelopment typically found in developing nations. In this regard, dualists have written extensively about the persistence of traditional (or even peasant) forms of production in developing economies due to imbalances and unevenness in economic development. Such imbalances arise when population growth outstrips the economic growth rate and when traditional skills do not match what is required by modern economic opportunities. This classic representation of formal and informal economies as

separate spheres, unified realms and hostile worlds has been variously referred to as the ‘modernization’, ‘dual economy’, ‘residue’ or ‘formalisation’ thesis.

Such a dualistic depiction that views the formal economy as strong, extensive and growing, and the separate and hostile informal economy as weak, marginal and declining, reflects what Derrida (1967:97) calls a “hierarchical binary” way of thinking. It starts by conceptualizing

Two opposing economies which are stable, bounded and constituted via negation and secondly, reads these resultant separate economies hierarchically bestowing the super-ordinate (the formal economy) with positive attributes and as growing, whilst the subordinate or subservient ‘other’ (the informal economy) is endowed with negativity. The outcome of this has been to create a relationship of opposition and exclusion, rather than similarity and mixture, between the two realms and to imbue the resultant dichotomy with a normative and temporal narrative of ‘progress’ in which the extensive super-ordinate ‘us’ (the formal economy) was privileged over the separate, much weaker and residual subordinate ‘other’ (the informal economy). The dualistic framework continues to depict the formal and informal as normatively discrete, with informal labour portrayed as regressive and a sign of ‘under-development’, ‘traditionalism’ and ‘backwardness’, whilst formal labour is seen as a sign of ‘progress’, ‘development’, ‘modernity’ and ‘advancement’ (Williams et al. 2011:2).

This is displayed vividly by the ILO (2002) when it calls for the eradication of informal labour (as a site of exploitation and drudgery) and a shift towards so-called ‘decent work’ in the formal economy. In this way, indecent work is seen as defining the character of economies and acting as an obstacle to economic growth in developing societies. Of course, more recently, even the ILO recognises that indecent work marks advanced capitalist countries as nation-states respond to global competition under neo-liberalisation by lowering the cost of labour through introducing precarious employment and eroding the gains hard won by the working people through the welfare state (Webster, 2011). In discussing processes of formalisation and in-formalisation later, I will detail this shift more fully.

In contrast to the dualistic framework discussed above, there are the “legalists” who attribute the increase of the informal sector to the need for small businesses to operate informally due to the bureaucratic procedures of mercantilist states (Blaauw, 2005).

### **2.3.2.2 The Legalist Approach**

In his book, *The Other Path: The Invisible Revolution in the Third World* (1989), Hernando De Soto proposed another approach to the examination of the informal economy. He argues that informality seems to be the rational choice made by people in the face of legal rigidities

imposed by the central state (Rakowski, 1994). The growth of the informal sector is thus attributed to the strictness of state laws and regulations rather than emerging from a condition of excess labour supply as proposed by the economic reformist approach. The legalist approach promotes the decentralisation of state authority, deregulation and privatisation along neo-liberal lines. Government deregulation, or re-regulation through the eyes of sociology, would lead to increased economic freedom and entrepreneurship among working people and the poor, especially in developing countries.

This perspective focuses on state regulation and its role in forming and expanding the informal economy, but not in an enabling and facilitating manner. Excessive regulations regarding, for example, the registration of economic activities, and heavy taxation on poor entrepreneurs' registered economic activities, is behind the expansion of the informal sector (Rakowski, 1994). Entrepreneurs are forced to avoid state regulations, and this avoidance causes the expansion of the informal economy. Hence, the cause is not rural migration to the cities and labour surpluses as maintained by dualists, or urban poverty (the argument, as noted below, by structuralists). De Soto though considers informal entrepreneurs as innovative, and as providing a growth impetus as budding capitalist entrepreneurs. In other words, these entrepreneurs are not a group of disadvantaged people living at the margins of society but are productive and legitimate. In this regard, Laha (2008:17) argues that "though the informal sector may breach legal boundaries at times, is not necessarily criminal and does not indulge in theft, violence, murder and other underground activities". Informal economic activities therefore need to be supported through appropriate economic policy mixes by the state.

However, critics claim that the sole focus on informal entrepreneurs by this approach does not consider the workers regularly employed by entrepreneurs, who often live in abject poverty. In other words, there is no scrutiny of the labour process within the informal economy. The informal sector is also viewed in isolation, as arising in response to state failures, and its complex interconnectedness with the rest of the economy becomes obscured and insignificant. This approach, in posing the informal sector as the engine of capitalist development, has dualistic dimensions in viewing the informal economy as discrete and isolated (Portes and Schauffler 1993). In blaming over-regulation by the state, Laha (2008:17) argues that the legalist approach "offers a simplistic narrow view of the sector not embedded in historical context or reasoning".

As mentioned, I argue that the structuralist approach is the most illuminating approach, in large part because it argues that the formal and informal economies are fundamentally linked, and therefore articulated, in one overall capitalist system.

### **2.3.2.3 The Structuralist Approach**

The structuralist approach uses a political economy perspective to understand the informal economy and its relation to broader power structures and forces dominating the local, national, and global arenas (Rakowski 1994). In essence, the structuralists see the informal sector as a feature of capitalist development that is subordinated to, if not exploited by, the formal sector. For instance, through seeking to reduce production costs and maximise surplus value and profits within an intensely competitive though increasingly monopolistic environment, large capitalist firms maintain or create new patterns of production processes. Petty commodity in the informal sector acts ultimately in a manner consistent with the character of the dominant capitalist economic system (Moser, 1978), as the main concern is profit maximization and the accumulation of capital. Thus, these informal economic activities should not be seen as fundamentally different to more formal and regulated processes of production and services.

In this context, the structuralist framework “effectively looks at the informal economy in relation to the rest of the socio-economic and political situation and stresses the formal-informal relationships denouncing a demarcation between the two sectors” (Laha, 2008:18; see also Slavnic, 2010; Williams et al’, 2011; Mezzadri, 2010). The key point here is the unwillingness to dichotomise (or clearly demarcate) the two sectors, as well as recognition of the need to see the phenomena of formality and informality as processes rather than merely conditions of existence. The linkages and tensions between formal and informal activities, and the sheer heterogeneity of informal economies, imply the significance of conceiving informal enterprises as an integral part of the economy.

In addition, unlike the legalistic approach, the informal sector is not seen as the last resort for poor, unemployed people, as entering it can often be a deliberate and conscious choice on the part of entrepreneurs and workers. In light of this, Laha (2008:18) argues for example that “workers appointed in secure but low paid jobs in the formal economy frequently supplement their income by parallel participation in the informal sector”. It might even be the case that people sometimes voluntarily seek employment in the informal sector because the nature of work offers more flexibility, lacks regulations and provides tax-savings (Maloney, 2004).

The structuralists focus mainly on the relationships between formal businesses and informal enterprises. As noted, the informal economy plays a crucial role in the indirect subsidizing of formal firms by producing goods and services using comparatively cheap labour based on informal employment, which may in turn allow formal firms to pay lower salaries to their employees (Portes and Castells, 1989, Portes and Sassen-Koob, 1987, Sassen, 1994, Standing, 2008). But, in addition to this, structuralists at times show sensitivity to the downgrading of wage-labourers within the formal economy in the context of neo-liberal restructuring (Olmedo and Murray, 2002). The restructuring of production under neo-liberalism, including processes of de-centralisation, has been coupled by for example subcontracting and labour-broking and the creation of all sorts of cheaper and informal modes of labour which has been defined as employment in-formalisation (Portes, Castells and Benton, 1989; Beneria and Roldan, 1987; Moser 1978). This argument speaks not only about in-formalisation of labour within informal economies, or out-sourcing work to the informal economy, but also about in-formalisation increasingly marking the employment relation within the formal economy with the shift under neo-liberalism to irregular and non-standard forms of employment.

This framing of in-formalisation of labour within the formal economy is not straightforward. In-formalisation of labour (as one of the three features of the informal sector outlined earlier) is seen as involving unregulated employment relationships, the failure to abide to labour standards, indecent jobs and lack of social protection for workers. I take this point up later when discussing more directly questions about formalisation and in-formalisation in relation to the informal sector, to determine if in fact the change from standard to non-standard employment under neo-liberalism can in any way be captured under the notion of in-formalisation. This will assist in demarcating more clearly the forms which in-formalisation may take.

### **2.3.3 Informality and Labour**

Prevailing thinking about the informal sector sees it as an unregulated sphere markedly different from the formal sector, with the latter slotting into the state's regularity framework in terms of operational practices. This is applied more specifically to the question of informality and labour, again, with the informal sector understood as inhabited by enterprises in which labour relations are unregulated and therefore informal. This thinking is particularly associated with the economic reformist and legalist approaches, and less so with the structuralist approach.

The standard definition of the informal sector, and of informality and labour, speaks of employees who work in unregistered informal enterprises. But, it is reasonable to argue that informal labour also at times exists outside the informal sector; for example, categories of informal paid work outside of informal enterprises, including within formal enterprises or household economies. Informal economic relations then, rather than the informal economy (as understood in strictly sectoral terms), becomes inclusive of all forms of employment without secure contracts, worker benefits or social protection, and as comprised of two basic types: employment in informal enterprises (as traditionally understood) but also paid employment in all kinds of informal employment relations as found in both the (so-called) formal and informal economies (Porters et al., 1989).

This argument spawns a more context-specific viewpoint on the causes and consequences of informality, the characteristics of informal employment, and linkages between the informal economy and the formal economy in terms of the formal regulatory environment. It is also a conception of informal employment embodying a major conceptual shift (Laha, 2008), though rooted in long-standing understandings of the informal sector. More specifically, it gives priority to defining informality with respect to employment status rather than, as in another definition, to enterprise characteristics. Insofar as priority is given to employment rather than enterprise in positing the existence of informality, this begs the question of whether one can still speak of an informal sector as such or as a continuum in terms of labour formality-informality. At times it seems best to speak of the characteristic of informality as encompassing all economic activities and as cutting across 'sectors', rather than focusing on a particular sector.

Even if highlighting the enterprise-based understanding of informality, it is clear that informality is not just a feature of so-called traditional economies, but also a feature of the most modern of capitalisms. Slavnic (2010) argues that the persistence and growth of informality is driven, depending on the context, by lack of economic growth, jobless patterns of growth, and in-formalisation of employment relations in developing and also developed countries, given local reorganizations of work and global subcontracting chains especially under neo-liberalisation. This makes problematic the dominant view of the informal economy as a sort of separate economy, related – in the case of developed nations – often to immigrant small businesses and distinct from the well-established formal economy.

By interpreting the relationship between the informal and formal sector, including with respect to labour, in a dualistic manner and by focusing on their supposed mutually-exclusive characteristics, the unity and totality of productive systems is ignored or



downplayed: “The dichotomy formal-informal, therefore, does not take into account the overall totality of production relations, distribution and consumption” (Breman, 1976 in Singh 1990:15). Sociologically speaking, the formal and informal sectors are interlinked by relations that can only be understood as parts of a chain of, as noted earlier, trans-actions involving ‘a moving puzzle composed by interdependent actions’. The structuralist view is in many ways consistent with this notion and offers a convincing conceptualisation of the informal sector as it stresses formal-informal relationships and articulations while denying any clear demarcation between the sectors. It is not however particularly sensitive to process as it offers in large part synchronic rather than diachronic analyses. In this regard, the idea of ‘trans-action’ has been put forward as an important corrective device for conceptually capturing fluidity and motion, and informality as a process rather than a state or condition of existence.

## **2.4 Formalisation and In-formalisation**

In this context, this section examines processes of formalisation and in-formalisation. While the distinction between formal and informal economies may be a useful conceptual starting-point, it is more appropriate to speak of degrees and forms of formalisation and in-formalisation along a continuum, rather than to merely dichotomize economies. In fact, many tensions exist within the ‘informal’ economy and these tensions arise because of the contradictory relations between simultaneous processes of formalisation and in-formalisation.

### **2.4.1 Understanding Formalisation**

Fourie (2003) defines formalisation as a process which entails shifts in the character of informal enterprises in becoming part of the formal or regulated economy. However, this begs the question of the relationships between formality and legality and regulation. There is no absolute one-to-one relationship between these terms, as I have implied already. Thus, the legally-recognised formal economy has at times informal employment relationships, for example, the skirting of proper labour relations and employment contracts. The standard definition of formalisation suggests that to enter the formal economy, informal enterprises need to adhere to existing state regulations and legislations. It means “graduating from the informal to the formal sector, either directly or via-semi formal status” (Nelson and De Bruijn, 2005:579). However, this notion is informed by the dualistic framework which dichotomizes economies between the formal and informal economy. As will be shown below, it is best to speak of degrees of formalisation along a continuum.

Fourie identifies two ways of “being legal”, namely: becoming legal (or becoming legally recognised) and being legal or (legally operating). The first point involves the registration of a business enterprise with the local and/or national authorities. The second point consists mainly of two dimensions, that is, legality relating to taxes and legality referring to labour matters. The registration of informal micro-enterprises (petty commodity production) entails acknowledging the legal existence of the business, identifying it as an economic unit subject to tax obligations and ensuring that legal obligations vis-à-vis workers are met. Taxes include municipal licenses or permits, income tax as well as value-added-tax. Labour legislation normally requires the payment of statutory minimum salaries, meeting health and safety standards and the fulfilment of various social security obligations (Olmedo and Murray, 2002). The bureaucratic recognition involved in registering a business is central therefore to formalisation. Indeed, being registered by the state is, in most definitions, what separates the informal economy from the formal. The terminology can be confusing, as ‘registration’ and ‘licensing’ for example are used to mean different procedures in different countries. For clarity’s sake, ‘business registration’ here means the process of giving legal recognition to enterprises, and ‘licensing’ means sector specific approval to engage in regulated activities (Aswani, 2007). For example, in some countries such as Tanzania, fixed business operations are a requirement of business licensing.

Nelson and De Bruijn (2005) rightly further complicate matters by differentiating between *de jure* formalisation and *de facto* formalisation. The former involves a change in legal form, that is, a change to a higher legal form or acceptance through registration of an enterprise by government, and this implies “an agreement of terms between the two parties (operator and government), in which the operator gains recognition, the right to operate freely and property rights in exchange for the payment of taxes and submission to government regulation” (Nelson and De Bruijn, 2005:580). *De facto* formalisation represents a change in substance concerning business systems and behaviours with regard to daily practices. This form of formalisation “can be observed as a continuum comprising many progressive acts of compliance with obligations to government and with the norms of doing business in the formal sector” (Nelson and De Bruijn, 2005:580). This refers to the idea that, in practice, if a business confirms to state regulations and business norms, then it is not only simply *de jure* but also *de facto* being regulated. A *de jure* formal enterprise may *de jure* have at least one foot outside regulatory processes, such that formalisation is not a straightforward linear process. And thus an enterprise in the formal sector may in fact be *de facto* riddled with informality.

Central to the formalisation process – to the process of becoming subject to state regulations – is the implementation of labour regulations in relation to employment relationships within the workplace. Here, one speaks of labour laws informed by the notion of workers’ protection. The notion of workers’ protection, as indicated in the discussion of the capitalist labour process, is underlined by the power imbalance between employer and employee, and the need to protect workers through regulatory intervention or workers’ organization (Omomowo, 2010). Normally, labour law is critical for workers’ protection. In this light, central to employment contracts is contractual agreements, collective bargaining, and statutory intervention and protections.

Given this, labour law takes into account the possible erosion of workers’ rights. Intriguingly, the erosion of workers’ rights has occurred in recent decades under neo-liberalism with the changing nature of work from standard employment relationships (full-time and permanent) to atypical and irregular forms of employment (Standing, Sender and Weeks, 1996). This shift to non-standard forms of employment, I would argue, overlaps in some ways with the shift from formal employment to more informal employment relationships (even within the formal sector) and, in this, the state often plays an active and regulatory role in promoting and legitimising informal employment within the formal economy. What we are witnessing, therefore, are changes in economic activities in the formal sector that may not avoid labour law regulation (but often increasingly do), but that more specifically allow for regulatory mechanisms and decisions to be more fully de-centralised to the level of business operations. This invariably entails changes in the organization of the labour process and in employment relationships. In this way, at least on the labour front, even formal economic enterprises may engage in informal and unregulated activities characteristic of informal economies. Thus, these enterprises are no more subject to state regulation around labour issues than are informal enterprises; they both are subject to social regulation.

#### **2.4.2 Understanding In-formalisation**

It examining and unpacking in-formalisation, there is no assumption in this thesis that it links specifically or exclusively to the informal sector. More generally, informalisation is a process while the informal sector is a condition or state of being. Laha (2008: 23) argues that “while the former is necessarily a process of change, the latter is a segment of economy (integrated and dependent) which may be understood as an outcome of that process”. Informalisation therefore implies a change towards economic activities which stand outside the formal economy and the formal regulatory environment, although not necessarily fully outside (Hart,

1992, Laha, 2008, Chen, 2007). In other words, in-formalisation does not merely contribute to the formation of a definite economy, namely, the informal economy. Indeed, from my perspective, in-formalisation involves changes in work organization, labour processes and employment relationships in favour of fluidity, flexibility and state deregulation. Hence, processes of in-formalisation (as indicated above) take place in the so-called formal economy, particularly under neo-liberalisation.

Capitalism as a system of profit maximization based on the exploitation of wage-labour is not a static system and has undergone radical changes since its inception. In the more recent history of the evolution of capitalism (namely, neo-liberal globalisation), in-formalisation of the production process constitutes a very important development (Laha, 2008) and is an integral part of the world production system and socio-economic organization today. Broad processes of in-formalisation can therefore be only comprehended as a political-economic process that emerges from the structural dynamics of capitalism (Sassen, 1989, 1994). In light of this, Hart (1992:219) argues that:

The label “informal” may be popular because it is both positive and negative. To act informally is to be free and flexible; but it also refers to what people are not doing – not wearing conventional dress, not being regulated by the state. The informal economy allows academics and bureaucrats to incorporate the teeming street life of exotic cities into their abstract models without having to know what people are really doing. The idea lends the appearance of conceptual unity to whatever goes on outside the bureaucracy.

Admittedly, this quotation tends to equate informality and non-regulation with the informal sector. But, significantly, it implicitly incorporates flexibility (‘to be free and flexible’ – the hallmark of neo-liberal restructuring) under in-formalisation, a point I made earlier. This complicates the notion of informality broadly speaking and with specific reference to labour.

But, further to this – and further complicating matters – it must be recognised that in-formalisation is part and parcel of everyday work relations between capital and labour which go beyond the regulatory environment and authorities existing and under which those relations supposedly fall. In other words, actually-existing practices cannot be read off from the formal systems, processes and procedures in place. Everyday relations regularly deviate from these formalities because daily life is marked by constant negotiation and manoeuvring. Even within the heart of standard labour processes (within the formal economy), such everyday informal relations exist. In this light, the informal sector is no more informal than the formal sector.

In the following sections, I argue that informality with regard to labour and labour processes is best understood in terms of two contemporary inter-related processes, namely, in-formalisation from above and in-formalisation from below. The former is whereby employment is increasingly in-formalised by managerial restructuring, resulting in a layer of workers ostensibly located in the formal economy but for whom traditional labour standards increasingly do not apply. The latter is manifested by “the expansion of self-employment and survivalist activities” (Theron, 2010:87). I discuss these in turn.

#### **2.4.2.1 In-formalisation from Above**

Slavnic (2010:4) argues that “in-formalisation from above includes corporate strategies of downsizing, outsourcing and subcontracting, as well as the coping strategies of the welfare state, both of which contain dynamic forces of in-formalisation in economies and labour markets”. As mentioned above, if in-formalisation is considered as a process whereby economic activities take place increasingly outside the scope of standard forms of regulation, and whereby the state distances itself from directly regulating labour, then for instance externalisation of the employment contract has the effect of in-formalising the formal economy. Externalised workers employed by temporary employment agencies or labour brokers, and who are engaged in formal workplaces, are supposedly employees to whom labour legislation applies. But labour legislation is regularly ineffectual in protecting the employment security or collective bargaining rights of these workers (Theron, 2005). The result of this in-formalisation from above is that, proportionally, there are ever fewer workers in standard employment relationships, even in the primary and secondary sectors. The shift from standard employment relationships to all sorts of different non-standard employment relationships (including casualisation of the workforce) hence can be seen as a shift towards in-formalising of the formal economy.

This in-formalisation of the formal economy, underpinned by a broader restructuring of the workplace, has been experienced in South Africa and elsewhere in recent years. The process of restructuring in South Africa in fact can be seen as an attempt, endorsed by the new democratic government, to ‘modernise’ the economy and integrate it more fully into the global economy. Again, this is not unique to South Africa. Thus Laha (2008:6) argues that “informalisation is interwoven in the process of the progressive integration of the different parts of the world into one global economy whereby multinational production processes can be successfully decentralized across (and within) national boundaries”. The transition from domestically-oriented economies to more globally-integrated ones has been accompanied by

processes of corporate and workplace restructuring (Von Holdt and Webster, 2005:4). The restructuring of work involves nation-states in developing macroeconomic neoliberal policies and in creating new labour regimes, modes of work organization, managerial control systems, employment relationships and collective bargaining systems. Central to the shift in economic policies and labour regimes is the process of restructuring capital through deregulation. With regard to employment relationships, for example, “just as mines have implemented large-scale retrenchments, so too have they relied more heavily on subcontracted labour as a response to the crisis” (Webster and Omar, 2003:13). The state (as the central regulator of society) has been central to this process, which is regularly referred to as de-regulation but is a process of re-regulation.

Neo-liberal globalization is defined as the growing interconnectedness of the world, with global capitalism, free markets, privatization and de-regulation (Nyamnjoh, 2006:1). It has arisen in the context of “the struggle for the control of the labour process between capital and labour to increase their share of the production value in profit and wages respectively” and, along with other factors such as “changing market demand, technology, globalization and trade liberalization”, it is “accountable for the changes in the nature of work, or work organization in capitalism” Omomowo (2010:1). In the case of South Africa, and despite the introduction of more inclusive labour legislation since the end of apartheid, this process has resulted in a shift towards labour ‘flexibility’, in combination with high systemic unemployment and the legacy of racially-segmented labour markets under apartheid. The labour market increasingly consists of a growing number of marginalized casual workers ‘beneath’ a ‘core’ workforce, with the latter itself subject to threats of work insecurity and de-regulated forms of employment. As Theron argues (2005:1256) “work is not what it used to be”.

The restructuring of work in South Africa has involved a range of flexibility moves, including technological flexibility and labour market flexibility. Appiah-Mfodwa et al. (2000:97) claim that “labour market flexibility is a term that has been used to describe many forms of non-standard or atypical employment arrangements”. What then is flexibility? According to Standing, Sender and Weeks (1996:6) “flexibility typically means something different for employers and for workers and something different for government policy-makers, for whom flexibility may be the degree to which variation from a norm is allowed or encouraged”. In practice, this means that employers have the right and capacity to make changes, at their discretion, speedily and at relatively less costs. The argument for labour market flexibility in South Africa, from the perspective of employers, is based on the notion

that a rigid labour market constrains employers' decisions, and the rights and benefits given to workers in the workplace by current labour relations legislation are seen as hugely problematic.

This 'restructuring' of the labour market towards flexibility demonstrates the shift from a form of Fordist/Keynesian regulation to a form of post-Fordist or post-Keynesian/neoliberal regulation (Purcell, 2002:285). Serious doubt exists about any shift in the case of South Africa from Fordism to post-Fordism; nevertheless, labour flexibility – or at least efforts by employers to restructure labour relations along these lines – is clearly evident, as employers prefer flexibility of non-standard work arrangements around which they can organize production processes more efficiently and economically (Edgell, 2006: 127). Formal businesses often bypass labour laws, because it is claimed that they are too rigid. In this way, businesses are increasingly prepared to adopt informal economic strategies to secure their economic survival. In the case of South Africa, the state continues to maintain labour regulations to allow for some sort of protection of workers, resulting in what is sometimes called 'regulated flexibility' (Cheadle, 2006:668; Burrows, Gilbert and Pollert, 1992:4) There seems to be then a tension between new economic trends focusing on flexibility and old-style regulatory frameworks to which the South African state still adheres.

While this restructuring within the formal economy takes place, attempts to offer more standard forms of employment within the informal economies (and thereby to formalise these economies in relation to labour) invariably meet roadblocks. Obstacles inhibiting governments from taking appropriate steps for example to extend social security amongst informal sector employees include resistance from employers on grounds of financial and compliance costs. This is understandable in an increasingly competitive global economy, especially when the existence of systemic surplus labour (or high unemployment) lessens the imperative to retain particular employees (Lindell, 2010). Moreover, informal economy employees may also feel that, despite indecent wages and working conditions, current and immediate survival requirements take precedence over insuring against future risks arising for instance from loss of employment because of a further downturn in the economy. It is also worthwhile noting that the possibility of neo-liberal labour restructuring in the formal economy, as described above, has been heightened by the existence of a surplus pool of labourers who eke out a living in informal economies.

In speaking about in-formalisation from above in the context of neo-liberal restructuring, I recognise that I am using the term in an expansive form and in a way which, broadly speaking, goes contrary to the prevailing literature on labour restructuring. In doing

so, though, I am seeking to emphasise that the forms of employment existing in the formal sector are increasingly taking on the characteristics of the forms in the informal sector; and hence a clear distinction between these two sectors is dubious. There is thus “a clear tendency towards the so-called ‘flexploitation’, which includes different *anti-worker aspects* of the labour market that aim partly to reduce the labour rights of those who are employed, and partly to increase the demands on those who are looking for work” (Gray 1998, 2004 in Slavnic, 2010:13). Indecent work therefore becomes situated in both the formal and informal economies.

The prevailing literature on the changing nature of employment relations focuses on the ongoing rise of flexible and unprotected work which has been facilitated by casualisation, externalization, and informalisation (Von Holdt and Webster, 2005). Casualisation refers to the reduction of permanent, full-time staff, and the simultaneous increase in part-time, temporary and casual employees who are not entitled to the benefits of permanent, full-time employees. Externalization is taking place through subcontracting or outsourcing of work to a contractor, such that the contractor employs workers, enters into business contracts with employers and then provides a labour service to employers; no employment contract exists between the employer and employee. In-formalisation effectively is an undocumented process in which the employer-employee relationship takes place ‘under the counter’ and hence is effectively illegal; and, on this basis, it is said that these relations are like relations existing in the informal economy.

Theron (2005:1256) argues that “casualisation, externalization and informalisation, in short, represent a trinity of interlocking processes”. For the purposes of the thesis, I broaden the notion of in-formalisation to encompass all three processes to highlight the fact that they are underpinned by a process of state de-regulation. The neo-liberal state still sets broad conditions for employment but it not intervene significantly and does not micro-regulate employment relations as the Keynesian state did in the past. I am thus claiming that any definition of in-formalisation should not only consider illegal activities or operations, but should also take into account of transformation of work towards more flexible arrangements which decentralise the underpinnings of labour relations.

#### **2.4.2.2 In-formalisation from Below**

The formation and transformation of labour regimes that has taken place under neo-liberalism arose from a history of class struggle (notably in advanced capitalist nations) over decades and the transformation clearly indicates a shift in power in favour of capital and against



labour. In other words, labour has become the major victim of neo-liberal restructuring, leading to forms of employment subjected to flexibility and insecurities. In the context of externalisation, casualisation and in-formalisation (narrowly defined), entering into the formal economy is made more difficult for workers in the informal economy and becomes less desirable. Indirectly, then, these workers are also victims of in-formalisation from above. At the same time, these workers engage in processes of in-formalisation from below. In-formalisation from below is manifested in the expansion of self-employment and survivalist and possibly surplus-earning activities (Theron, 2010; Slavnic, 2010). In part, current informal economic activities seem to be a legitimate response to in-formalisation from above, that is, marginalization and flexibility, and also as the only way for millions around the world to survive. The notion of in-formalisation from below highlights the agency, ingenuity and creativity of informal economic agents and therefore does not simply view them as victims of top-down processes and forces.

We are witnessing a heightened social contradiction framed in terms of inclusion and exclusion, with exclusion including both non-core employees in the formal economy and workers and others in the informal economy (Bond, 2006). In this light, workers often straddle the informal and formal economies in a desperate effort to generate sufficient income for households or, alternatively, are firmly lodged within the informal economy only (if not unemployed entirely). In many nations, and this is certainly the case in Africa, informal sector employment accounts for a substantial if not the majority of total employment. Those without access to core jobs in the formal economy, that is, the marginalised and the excluded, bear and will no doubt continue to bear the brunt of poverty. Seekings and Natrass (2005:273), in the case of South Africa, speak of the existence of an “underclass” because the marginalised and excluded do not simply have indecent work or no work at all. Rather, they exist in a state of despair in all areas of their lives as almost the so-called wretched or damned of the earth. However, this should not ignore the fact that, in informal economies, there are often stable enterprises and dynamic growing businesses

In-formalisation from below is not a condition. It is a process in which ordinary people – despite their deficiencies in human and financial capitals – find ways and means of living, if only on the margins of respectable society. In doing so, it may merge with processes of in-formalisation from above, such as in the case of casuals hired on a street corner or outside a factory gate by an employer or company seeking to enter into irregular forms of employment. This serves to reiterate the connections and relations which invariably exist between the formal and informal economies. In actively engaging in the informal economy,

in ingenious ways at times, petty commodity activities produces for, trades with, distributes for and provides services to the formal economy; hence it makes sense to view the formal-informal economy along a continuum (Webster, et al. 2008).

### **2.4.3 Formalisation and In-formalisation: A continuum**

Before briefly concluding, I provide an extended conclusion to indicate as clearly as possible the significance of the key points raised in this chapter, particularly in the light of the later discussion of the taxi industry in East London.

Overall, I sought to unpack the possible different dimensions of formalisation and in-formalisation. In doing so, I spoke for instance of in-formalisation existing in different forms and levels, including the following: as outside the realm of state regulation; as going against or acting contrary to state regulation despite formally being bound to act within the confines of state regulation; as a process, under neo-liberalism, of not being directly regulated by the state in an intrusive manner and engaging in non-standard and flexible forms of employment arrangements; and as deviating from formal arrangements on an everyday basis through contingent relations arising from everyday interactions. These different dimensions seem to capture the different ways in which in-formalisation is used, to differing degrees, in the available literature.

This conceptual unpacking sought to, amongst other things: highlight the intertwined relationships between the formal and informal sector; stress that formality and informality should be understood as processes (for example, in-formalisation) as much as conditions; and recognise that the informal sector (as a condition), and by extension the formal sector) is in fact marked by processes of formalisation and in-formalisation which often are in tension with each other. It is particularly important to note that the informal sector is not devoid of regulation. The formal economy has been de-regulated under neo-liberalism – but this should be understood as re-regulation or a move towards social regulation. Likewise, the informal economy is mainly marked by social regulation, with attempts though by the state to regulate it. These claims set the conceptual scene so to speak in understanding the complex, multi-dimensional processes embedded in the East London taxi industry and – as will be shown – the taxi industry more broadly in South Africa. The emphasis throughout my discussion has been on a continuum rather than a dichotomy in terms of making sense of the informal sector overall.

Confining informality to the formal-informal binary way of thinking (Malimachi, 1996) does not allow us to identify and understand the diverse and complex informal sector,

as shown most convincingly by the structuralist approach. The informal economy has deep connections with the formal economy and is closely linked with formal sector activities (Heintz and Pollin, 2003). In-formalisation is in fact a consequence of modern capitalism; it is not a temporary phenomenon, but is rather an essential by-product of capitalism where formal production is the hegemonic form of capitalist production which simultaneously in-formalises large segments of the production to facilitate the reproduction of the contemporary capitalist world order (Slavnic, 2010). In this regard, recent figures from 2007 show that the informal sector accounts for 33% to 40% of urban employment in Asia, 60% to 75% in Central America and 60% in Africa (Sanyal, 2007).

To maintain a hard-and-fast analytical distinction between formal and informal economies – each with their ‘structural logic’ and ‘rules of the game’ – hinders an understanding of the operation for instance of labour markets on the ground in urban settings notably in developing nations. Hence Olmedo and Murray (2002:422) argue that “instead of treating these two spheres as separate zones of socioeconomic activity, it is much more fruitful to conceive of formality and informality as evolving moments along a fluid continuum of work relations, conditions of employment, and processes of competition in the labour market”. This is the approach adopted in the thesis. If this is not pursued, then the end point is a form of tautological reasoning in which everything that exists at the margins of state regulations is informal, and it is informal because it is out of the state formal norms.

Though marked by social regulation, the informal sector is not devoid of elements of state regulation, or formality in the traditional sense of the term. Thus, Olmedo and Murray (2002:435) argue that “linking such notions as ‘unregulated’, ‘illegal’, ‘irregular’, and ‘underground’ with the concept of the informal economy falsely implies the disengagement of state involvement in the process of precarisation/informalisation in the era of globalization”. Just as the state has intervened under neo-liberal conditions, as this quotation implies, to in-formalise the formal economy (that is, to promote precarious labour), the state regularly becomes involved in the informal economy to formalise it. To link, therefore, formal with regulation and informal with un-regulation is hugely problematic, and thus this thesis calls for a revision or even debunking of this categorisation to allow for a more nuanced understanding of the processes animating the informal sector, notably the taxi industry in South Africa. Instead of a clear division between formal and informal economies, which supposedly overlaps with regulation-standardisation and un-regulation-flexibility respectively, there is a differentiated array of conditions along different continuums. Given this, and to reiterate, I argue that while the distinction between formal and informal

economies may be a useful and possibly necessary conceptual starting-point, it is insufficient as a basis for proper and full analyses. Degrees and forms of formalisation and in-formalisation exist along a continuum, and many of the tensions that exist within the ‘informal’ economy arise because of the contradictory relations between simultaneous processes of formalisation and in-formalisation.

## **2.4 Conclusion**

The thrust of this chapter has thus been to critically engage with the concept of informal sector. It sought to demonstrate that the very distinction between formal and informal economies is open to dispute; and, even if accepted, there are differing conceptualizations of the relationship between the ‘two’ economies. Also, the conceptual clarity of the term ‘informal economy’ has been subject to critical enquiry, given the vast range of activities it is said to incorporate. The informal sector has a series of advantages and disadvantages, including for the workers employed within it – it is a site of employment but also a site of exploitation. Prevailing literature about the informal sector considers it as an unregulated sphere markedly different from the formal sector, with the latter positioning into the state’s regulatory framework in terms of operational practices. The chapter has also shown that while the distinction between the formal and informal economies may be a useful conceptual starting-point, it seems best to speak of degrees and forms of formalisation and in-formalisation along a continuum, rather than to dichotomize the economies. In fact, many of the tensions that exist within the ‘informal’ economy arise because of the contradictory relations between simultaneous processes of formalisation and in-formalisation. Such contradictory processes mark the labour process which is the ‘heart’ of the economy. This chapter thus sought to unpack the possible contradictions of formalisation and in-formalisation.

## **Chapter Three:**

### **The South African Political Economy: Understanding the South African Informal Economy – The Case of the Minibus Taxi Industry**

#### **3.1 Introduction**

This chapter considers the South African informal economy, in the context where there is a high and measurable unemployment rate, with the majority of marginalized poor people bearing the brunt of poverty. In particular, I argue that the very distinction between the formal and informal economies, whether in South Africa or elsewhere, is open to dispute; and, even if accepted, there are differing conceptualizations of the relationship between the ‘two’ economies. A claim is made that there are linkages between the formal and informal economy, and this in itself leads one to argue that this linkage can be viewed along a continuum. Particular attention is placed on the minibus taxi industry as structurally situated within the ‘informal economy’. I note that this industry is also subject to the contradictory processes of formalisation and informalisation which mark the labour process. The chapter is divided into five main sections: the first section considers the South African political economy, followed by a second section on the overview of the South African informal sector/economy. The third section transcends dualism in the South African informal economies. This is followed by a fourth section on the labour relations in contemporary South Africa, with questions of in-formalisation and formalisation integral to this discussion. The fifth section considers the minibus taxi industry in South Africa; followed by sub-themes on the history of the minibus taxi industry, taxi recapitalisation programme, and the labour process conditions within the minibus taxi industry.

#### **3.2 South African Political Economy**

South Africa’s democratic transition in 1994 coincided with attempts by the newly elected African National Congress (ANC) government to establish a vibrant economy integrated into the global economy and aimed at enticing foreign investment. Recent analyses of the South African economy though speak of deepening inequality and entrenched poverty, including a widening gap between the impoverished black ‘underclass’ and the privileged ‘liberation aristocracy’: a new cadre of black business-oriented elites, assisted by policies of Black Economic Empowerment (BEE), whose interests are closely entangled with those of the ruling ANC (Freund, 2010).

Since the end of the apartheid era – and with the birth of a new South Africa – the government has introduced a series of policies that were aimed largely at creating an environment conducive for economic growth but not necessarily economic development. Despite certain policies of redistribution and social protectionism, market-driven economic reform entailing a standard neo-liberal package was adopted, consisting of fiscal prudence, trade liberalisation and deregulation of various sectors of the economy (Bhorat and Cassim, 2004; Padayachee, 2005). Central to this was, in 1996, the introduction and embrace of a macro-economic strategy called Growth, Employment and Redistribution (GEAR), which replaced the earlier, more redistributive, Reconstruction and Development Programme (RDP). GEAR was developed by “a technical team of 15 policy makers comprised of officials from the Development Bank of Southern Africa (DBSA), the South African Reserve Bank (SARB), three state departments, academics and two representatives of the World Bank” (Visser, 2004:8), without popular participation. This effectively means that globalisation in South Africa has been internally promoted by the state and the major business groups that dominate the economy (Carmody, 2002), under the influence of global neo-liberal forces (Mathekga, 2009).

The ANC leaders introduced GEAR with the claim that it would speed up economic growth. However, the record shows that growth has been sluggish – averaging 2,4% a year between 1996 and 2000 and 2,7% a year between 1994 and 2003, compared with the target set by the government in 1996 of an average 4,2% rising to 6% by 2000 (Mathekga, 2009:33). Overwhelming evidence, ten years after the implementation of GEAR, demonstrated the existence of jobless economic growth, systemic unemployment, poor service delivery and deepening impoverishment; and, in this light, significant mobilisation amongst trade unions and social movements arose. Combined, the socio-economic challenges which RDP and GEAR sought to address are still haunting the nation (Jeffery and Whalley, 2008). Because of this, the Accelerated and Shared Growth Initiative of South Africa (ASGISA) was initiated, approved by cabinet in July 2005, and unveiled by the former Deputy-President Phumzile-Mlambo Ngcuka on 6 February 2006.

ASGISA aims at improving policy implementation and economic growth. Policy implementation means the accomplishment of policy objectives through the planning and programming of operations and outcomes so that the intended outcomes can be achieved. As such, ASGISA sought to address the following challenges: lack of skilled and committed staff in the public service including the human resources to implement policies; inadequate financial resources; corruption and mismanagement of funds; lack of people-driven

development; lack of proper co-ordination between state institutions; and, of particular importance to this thesis, barriers to entry in the informal sector (van Rooyen and Antonites, 2007). In terms of economic growth, and in line with ASGISA, the SA government planned to halve poverty and unemployment by 2014 and thus realise the promised “better life for all” (the Department of Trade and Industry, 2006). A study undertaken by the Department of Trade and Industry concluded that the growth rate needed for South Africa to achieve its social objectives was 5% on average between 2004 and 2014. As Van Rooyen and Antonites (2007:228) elaborate, in

Realistically assessing the capabilities of the economy and the international environment, a two-phase target was set. In the first phase, between 2005 and 2009, South Africa will seek an annual growth rate that averages 4,5% or higher. In the second phase, between 2010 and 2014, we seek an average growth rate of at least 6% of gross domestic product (GDP).

These growth rates were meant to maximise the labour-absorbing capacities of economic activities in South Africa and hence reduce unemployment. Yet, the rate of unemployment currently stands at about 25%, and this is based on a narrow definition of unemployment (Stats SA, Q1:2012).

The government also sought to initiate interventions to directly address inequalities and target the marginalised poor, to bridge the gap between the so-called first (or formal) economy and the second (informal) economy and ultimately to supposedly eliminate the second economy (Frye, 2007). ASGISA thus includes some specific measures focusing on challenges facing the informal economy, in particular by using the leverage of the first economy to overcome these challenges. For instance, two examples can be noted in ASGISA:

The first is to leverage the increased levels of public expenditure, especially investment expenditure, to promote small businesses and broad-based empowerment addressing such issues as access to finance, preferential procurement and a review of the impact of regulations on labour-intensive sectors. The second form of leverage will be that all of the sector strategies, such as the strategies for tourism or Business Process Outsourcing (BPO), will have elements addressing development goals in the Second Economy (van Rooyen and Antonites, 2007:331).

Such measures though have yet to have any significant impact on the informal economy.

To a large extent, this is because South African policy discourse, as discussed later, has been dominated by the notion that poor people are poor because they are trapped in the ‘second economy’, and disconnected from the mainstream ‘first world economy’ (du Toit and Neves, 2007). The argument goes like this: “Many of the poor and impoverished who fail to find employment in the formal economy rely and enter the informal economy for economic

survival reasons” (Barker, 2007; Mashigo, 2010:109). This fails to recognise that large proportions of urban households in South Africa live in both worlds (the formal and informal economies) and regularly enter and exit one or the other. For instance, employees who have been fired or retrenched in the formal economy may seek alternative, although temporary, employment in the informal economy. Thus the day-to-day connections and the connections over the long-term between the so-called two economies need to be explored (Perry et al 2007).

In this context, I now turn to understanding the informal sector or economy in South Africa, a sector that is understood through a complex and often confusing array of terminology as mentioned in Chapter One. These include, in the case of South Africa: black market, casual work, hidden sector, informal economy, informal opportunities, informal employment, informal sector, people’s economy, second economy, and petty commodity production.

### **3.3 Overview of the South African Informal Sector or Economy**

The informal sector is a significant and vital dimension of the South African economy but it is not necessarily a well understood phenomenon. Also, one of the most important questions relates to the nature of the relationship between the formal and the informal sector. As elsewhere, the informal sector in South Africa regularly has some or all of the following features: unorganized, unregulated, lacks social protection, existence of sub-minimum wages, poor working conditions, tax evasion, nepotistic business networks, flexibility in working hours and employment for survival reasons (Gerxhani, 2004; Mashigo, 2010; Barker, 2007).

South Africa has a high involuntary unemployment rate but, comparatively speaking, a small informal sector, and this can be attributed to an underperforming formal sector and critical barriers to entry into the informal sector. Unemployment in South Africa has become one of the most pressing socio-economic challenges, affecting over a quarter of the workforce. Manufacturing’s poor performance and the decline of employment in manufacturing, which entails deindustrialisation of the economy, has been identified as a key cause behind rising unemployment amongst particularly lower-skilled job-seekers (Rodrik, 2008).

Nationally, it is claimed that currently, in terms of employment, the informal sector contributes to 16% nationally of all employment in South Africa, with the formal sector contributing 70%, private households at 9%, and agriculture at 5% (Statistics SA, Q1:2012). Different types of informal sector employment exist in South Africa. According to Rogerson



(1996:7), these include, amongst many others, the following: hawkers (fruit, fish, meat or crafts), babysitters, street barbers, garbage searchers, traditional herb collectors, spaza shop workers, car guards and street vendors. This of course is a very limited list. Black people as well are disproportionately represented in the informal economy (Mashigo, 2010). Petersen (2011) argues that

A typical informal worker in South Africa is most likely to: be black; be female; reside in Gauteng, Kwazulu-Natal, Limpopo or the Eastern Cape; be between the ages of 20 to 49; have matric or less; work in an elementary, sales or craftsmanship occupation; be low- or semi-skilled; work in the wholesale, community/social services or construction industry and earn an average income of R1000 or less (in 2000 prices) (2011:13).

As this quotation implies, women are also disproportionately represented. A significant number of women work as domestic workers, street vendors and spaza shop workers, all of which yield low incomes or profits. As Davids (2011:45) notes more broadly within South Africa, “jobs in the informal sector are characterised by a lack of benefits and are mostly non-permanent”. Given this, informal employees are likely to have no formal social protection or security whereas informal self-employed persons are often unregistered including in relation to the national revenue system.

In trying to capture the diversity within the informal sector, (Vosloo, 1994, in Davids, 2011) makes an interesting distinction between legal and illegal informal sector activities; and Davids (2011) outlines these in a comprehensive and inclusive manner in the case of South Africa. He thus speaks of the following:

i) Legal / socially acceptable:

Producers: self-employed artisans, shoemakers, dressmakers, tailors, craft makers

Distributors: hawkers, flea-market traders, petty traders, runners, shebeeners

Services: Taxi-operators, money lenders, musicians, photographers, traditional healers;

ii) Illegal / socially unacceptable:

Producers: dagga producers, counterfeiters

Distributors: pick-pocketers, burglars, robbers, embezzlers, traffickers, black marketers

Services: hustler, pimps, prostitutes, smugglers, credit sharks.

It is interesting to note that taxi-operators, according to this scheme, fall under the legal category. This implies that the taxi industry is legally recognised and is structurally situated in the South African informal economy. Even so, there are still taxi operators that are not

registered, and they thus operate illegally.

People active in the informal sector in South Africa include employees, employers, and those who are simultaneously employers and employees (owner/operators), with the latter two categories often labelled as self-employed (Petersen, 2011). There are considerably more self-employed people compared to employees. For example, in 2007, when looking at the non-agricultural informal sector, it was estimated that 61% were self-employed while the remaining 39% worked as employees (Davids, 2011:46). It is also argued that the informal economy is considerably larger overall in non-metropolitan areas in South Africa than in metropolitan areas, with about 60% in the former areas (Wills, 2009). It is estimated that there were about 3.96 million individuals in non-agricultural informal employment (by this, meaning involved in informal economic activities) in 2005. However, there was a decline in 2007 to an estimated 3.65 million (Heintz and Posel, 2008). There is no reason to believe that this is a linear decline. For instance, for the July to September period in 2012, employment in the informal sector increased by 112,000 (Stats SA, Q3:2012).

Unemployment remains a major problem in South Africa and it is manifested daily for instance in the case of East London, the study site for this thesis. Hundreds of job seekers daily line up at the entrances of building material shops in East London, in a desperate bid of obtaining piecemeal jobs in the absence of formal employment. Men, including painters, carpenters, builders and bricklayers, sit on the side of the roads or stand near robots in the hope that people – either companies or homeowners – will stop and provide a wage for a day's work. If employed, the daily labour-wage transaction is highly in-formalised. At the same time, entry into informal economies of any kind is extremely difficult, in East London and elsewhere because of both demand and supply side problems. On the supply side, besides the dubious neo-liberal discourse that non-entry is due to laziness (and is hence voluntary), there are serious deficiencies with regard to access to experience and skills (or human capital) amongst unemployed people (Peterson 2011). Those seeking to enter the informal economy as self-employed or employers also face such barriers as the scarcity of financial resources, physical capital and technology (Blunch, Canagarajah and Raju, 2001; Kingdon and Knight, 2003; Perry et al., 2007; Heintz and Posel, 2008). Kingdon and Knight (2001) also stress the demand side in that the unemployed are deterred from entering because of existing barriers including the sheer competition which often exists and overbearing state regulations at times (minimum-wage regulations and excessive tax burdens for firms that are relatively small)

### **3.4 South African Informal Economies: Transcending Dualism**

The previous two sections give a sweeping overview of the informal economy in South Africa in the context of broader political economy restructuring. This section addresses the South African literature on the informal sector, notably in the light of claims by the South African state that a dual economy pervades South Africa.

In his analysis of the South African economy, Thabo Mbeki (the former President of South Africa) argued that South Africa has first and second economies. The first economy is said to be strong, robust, modern, well-developed and internationally competitive, while the second economy is characterized by under-development and an entrenched crisis of poverty. Mbeki described the division between the two economies dramatically as a structural fault, such that the second economy “is structurally disconnected from the first economy and is incapable of self-generating growth and development” (Webster et al, 2008:6). The government suggested, in line with ASGISA, that what is required is state intervention through a number of programmes such as micro-credit for the poor, intensified skills development, the extension of public services and a massive public works programme. Effectively, it meant state empowerment of the second economy with the hope that it would eventually disappear through integration into the first economy. This led to the adoption of a National Spatial Development Perspective (NSDP) in 2006 to alleviate the structural distortions inherited from the apartheid economy, including the need for a range of small business development initiatives.

The idea of two economies provided an image for reflecting on the legacy of apartheid as a basis for justifying the necessity for large-scale redistribution of resources in order to tackle poverty and inequality (Webster et al, 2008:6), at least as articulated in the RDP. Further, the dualism suggested by arguments about a ‘structural’ disconnection between two economies has allowed the South African government to argue that its post-apartheid economic policies have been successful for the first/formal economy and, as a result of these successes, government is now able to address issues of poverty and unemployment in the second/informal economy (Skinner and Valodia, 2006). However, in contrast to this, Skinner and Valodia demonstrate that:

Yet, for all its claimed successes in stabilising South Africa’s macroeconomic situation after 1994, promoting black economic empowerment, and to re-orienting the budget to meet some social objectives, it is accepted, even in government, that its major failing has been its inability to address South Africa’s unemployment situation and, related to this, the high levels of poverty among segments of the population (2006:116).

The dual economy thesis also seems at first sight to be of some analytical value in terms of understanding the segmented character of the South African economy and the ways in which the economy excludes and marginalises certain groups of people from the 'first economy'. But, as with the dual economy thesis more broadly (as discussed in Chapter One), the South African version fails to treat the national economy as an articulated and integrated whole.

In addition as du Toit and Neves (2007:151) argue, "one of the interesting difficulties in engaging with second economy discourse is that it is not always very clear exactly what the term actually denotes". In light of this:

In some ways, the term seems to have a somewhat racialised logic – not merely because in South Africa it goes without saying that everyone 'in' the second economy is black, but also because (like the notion of the 'traditional sector' in previous discourse about 'developing' economies) it is a way of naming those areas or formations of economic and social life which are understood to be different from or other than the 'modern' (i.e. Western-oriented and globally integrated parts) (du Toit and Neves, 2007:151).

Clearly, then, in the South African dual economy discourse, the second economy is defined negatively as consisting simply of those phenomena and activities which are not in the first economy (Frye, 2007). It also entails a circular causal argument, such that poverty and marginalization are the result of being 'stuck in the second economy', and being 'stuck in the second economy is due to poverty and marginalisation.

This type of argument does not facilitate an understanding of informal economic activities which sometimes transcend survivalism, including a better-off spaza owner or a successful taxi operator in the black taxi industry. Or at least any possibility of upward mobility into the first economy is reduced to interventions by the state. In this sense, the thesis has been "used by liberals to promote an essentially De Sotetan package of measures that would supposedly liberate the entrepreneurial potential waiting to be tapped in the informal sector" (Webster et al. 2008:7). The more Marxist understanding of the informal economy in South Africa, based largely on the structuralist approach, perceive the dual economy thesis as a form of modernisation theory.

In contrast to typical dual economy models, I seek to stress the linkages between the formal sector or economy and the informal sector or economy in South Africa. In following the leads of the structuralist approach, I argue that the informal economy is (as already indicated) quite diverse and has complex interactions with the formal sector. There are contrasting views over the role of informal activities in stimulating broader economic

development (Davies and Thurlow, 2009), but I do not address this issue as it is not central to the thesis.

Thus, while acknowledging that the notion of ‘informality’ is of some importance in identifying non-regulated spheres of the activity in the informal economy, I nevertheless treat with caution the formal-informal dichotomy for reasons outlined previously, and particularly given the dominance of the problematic dualistic school of thought in the informal sector literature.

In this regard, the South African literature has sought to reframe the very notion of the informal economy by identifying it in positive terms rather than defining it as the absence of what exists in the formal economy. While it may be important to explore economic activities as spheres seemingly outside state regulatory regimes (or as below the radar of the state), Hull and James (2012) aim to escape from the formal-informal and regulated-unregulated binaries (and policy discourses) by favouring the term ‘popular economies’ (which is not necessarily equivalent to ‘informal economies’). They argue that “this recognizes the legacy, in South Africa, of earlier studies of popular culture which described a world of new identities and activities located in the city, where people had newly come into contact” (Hull and James, 2012:14). In the same way, Edwards (1989) and La Hausse de la Louviere (1988) in Hull and James (2012:14), also demonstrate that “everyday survival strategies of the poor such as beer brewing and other economic activities were analysed, as well as forms of popular resistance, ritual and the like.” The notion of popular economies moves beyond conventional binary distinctions and quite possibly facilitates an understanding of formal and informal economies as integral elements of complex interwoven economies.

Though I do not pursue this alternative framing, du Toit and Neves (2007:145) – in a way consistent with this framing – argue that “rather than being structurally disconnected from the ‘formal economy’, formal and informal, ‘mainstream’ and marginal activities are often thoroughly interdependent, supplementing or subsidizing one another in complex ways”. In South Africa, there are indeed multiple forward and backward linkages between formal and informal activities. For example, informal operations involved in the selling of basic consumption goods (such as fruit and vegetable) often source these goods from the formal market. This of course is also the case with regard to the taxi industry, for instance with regard to simple factors such as vehicle insurance and the purchase of fuel.

The case of South Africa Breweries (SAB) demonstrates this point, notably the way in which the distribution of beer is dependent on the shebeens in the informal economy. Beer is,

like many industries, a producer-driven value chain in which the SAB is the lead company controlling and sustaining the chain. Webster et al. (2008:25) argue that:

SAB produces an estimated 2.6 billion litres of beer per year ... This beer is then distributed to depots by SAB's trucks. SAB uses 650 trucks a day during peak season to deliver beer to depots. ... From the depots, the product is then delivered to licensed and permit-operating retailing clients by owner-drivers and SAB's own trucks.

Many of the beer-selling clients exist within the formal economy, including restaurants, pubs, hotels, liquor stores, wholesalers and taverns. But, in South Africa, 80% of the volume of SAB's beer finds its way into illegal shebeens in black townships. In this sense, the so-called informal economy is an integral component of total national economic activity, rather than a marginal or peripheral adjunct to it. Thus, Webster et al. (2008:48) argue that "it is wrong to see the informal economy as a set of survival activities performed by the poor and destitute". As they emphasise further, in expanding their argument beyond the beer industry:

The globally successful South African Breweries would not be able to distribute its product were it not for the thriving 'second economy' of shebeens. Neither would the clothing industry be able to produce goods for the local niche Afrochic market without the informal enterprises operating in the Fashion District of Johannesburg. The waste collectors, largely invisible and stigmatised, play a central role in ensuring that the successful export metal and paper industries continue to benefit from supplies of waste paper and scrap metal (Webster et al., 2008:48).

Overall, "even the most marginal of those working informally are linked into the formal economy" (Skinner and Valodia, 2006:114).

Critical here is also an understanding, drawing on dependency theories, that the informal sector in South Africa is 'under-developed' because of its linkages to the formal economy, such that – unlike claims often made by the South African government – the formal economy may in fact cause many of the problems within informal economic activities, rather than being a saviour. In other words, linkages with the formal economy entail relations of domination. This is a point that Sofisa (1991:18) highlights in his study of the informal sector in Port Elizabeth two decades ago, stating: "The petty commodity production, as a separate mode of production, is viewed as unable to grow and accumulate because it is linked to the capitalistic formal sector".

### **3.5 Labour Relations in Contemporary South Africa: In-formalisation or Formalisation?**

In discussing the informal sector in Chapter One, I highlighted the fact that processes of in-formalisation are taking place within the formal sector in relation to labour, notably in the context of neo-liberal restructuring. However, it is critical to point out that the South African state is not a full-blown neo-liberal state despite claims to the contrary. In addition to the neo-liberal trajectory in South Africa, as manifested for instance in GEAR, there is also a clear redistributive thrust taking place. So, while in-formalisation has taken place, there is also a trend in relation to labour which seeks to protect working people through labour legislation of a social protectionist kind. These seemingly contradictory trends are important to grasp for purposes of coming to terms with processes of formalisation and in-formalisation in the taxi industry in South Africa with regard to labour and the labour process. Before detailing the redistributive tendency, I first reiterate the existence of in-formalisation arising from neo-liberalisation.

The structuralist perspective on the informal economy in South Africa, including with particular reference to labour market analyses, speaks of segmentation of the post-apartheid economy but in a manner which highlights the articulation between economic (and labour market) segments. For example, Von Holdt and Webster (2005) describe the labour market as “divided into three zones of work – the core, the non-core and the periphery”. In doing so, they demonstrate that the ‘two’ economies are articulated. For instance, with respect to labour, the formal economy makes use of forms of employment involving subcontracting, outsourcing and casualised labour such as temporary work. This means, as indicated previously, that the in-formalisation of labour also occurs in the core or formal economy, and hence work insecurity pervades both ‘sectors’. Therefore, Theron (2010:91) talks about in-formalisation “as a process whereby economic activity takes place outside the scope of formal regulation”, in which he refers to neo-liberal restructuring towards flexibility under South African conditions and the possible undercutting of state-driven regulatory mechanisms.

In an earlier work, Theron (2005) makes a distinction between South African workers who are protected by labour legislation, and those who are not protected. He describes the former as ‘insiders’, and the latter as ‘outsiders’. Further, in his paper, “Prisoners of a Paradigm”, Theron (2011:7) states that “in what might be described as the neo-liberal workplace, only the employees of the core have the vote. All the other workers are employed by satellites [for example, labour brokers]. They are in effect disenfranchised, industrially

speaking”. Extensive evidence exists of in-formalisation in the South African formal economy. One estimate, based on government documentation, is that over 45% of workers employed in the formal sector display one or more characteristic of informality – for example, they do not have a written contract, a permanent position or paid leave (Davies and Thurlow, 2009). Webster et al. (2008) examine, in this context, the embedding of labour informality in the formal economy with respect to the mining of platinum in Rustenburg and Brits, though this process precedes neo-liberalisation. But, simultaneous with in-formalisation is a process of formalisation, as the South African state – since 1994 – has pursued inclusive labour legislation incorporating all categories of workers in all economic sectors. I now turn to this social protectionist move by the state, with respect to labour relations.

According to Venter (2003), labour relations describe the changing complexities of the various relationships between parties to the employment relationship. Though it speaks directly to the labour market (or to the employer-employee transaction), it has labour process implications as I seek to show. The employment relationship in South Africa is currently regulated by the Labour Relations Act (LRA) No. 66 of 1995, as amended by the Labour Relations Amendment Act, No 12 of 2002. As a process of formalisation, it seeks to regulate labour relations and workplace relations throughout the economy including those which were excluded under apartheid labour legislation. In this sense, the post-apartheid state has introduced a new ‘regulatory’ framework aimed at addressing the extreme inequalities and discriminations of the apartheid era (Clarke, 2004). As a result, social protection of workers and labour rights has been formally extended, in line with the protectionist thrust found primarily within the RDP but less so in GEAR (Visser, 2004; Terreblanche, 2003; Fleetwood, 2006).

The historical development of the legislation governing labour relations in South Africa exhibits the racial legacies of the country’s past. For example, industrial relations in South Africa were first formalized in 1924 with the passage of the Industrial Conciliation Act. According to Wood and Harcourt (1998:77), “this Act, and the 1956 Industrial Conciliation Act, allowed certain groups of employees to form and join unions that could be registered with the authorities and granted official recognition status, provided certain conditions were satisfied”. The act of 1924 established collective bargaining rights which were mainly available to white workers. To a large extent, African workers were not necessary barred from forming and joining their own unions, but they had no right to register them, strike, or participate in industrial councils (Webster and Adler, 2000).

This system of racially-based industrial and labour relations was challenged by



massive strikes originating in Durban in early 1973. These strikes spread to urban other centres and resulted in the formation of radical black trade unions, which played a significant role in challenging the labour relations systems as part of the overall struggle against apartheid. In response to this, in 1977, the government appointed the Wiehahn Commission which recommended that industrial relations be de-racialised by extending full collective bargaining rights to Africans, and that industrial conflict be institutionalized by referring disputes to a new industrial court (Wood and Harcourt, 1998:79). In 1979, the Labour Relations Act was passed – this afforded African workers the right to join and form registered unions, bargain collectively, participate in industrial councils, and strike.

After the end of apartheid, the government introduced other related pieces of legislation. These include, besides the LRA: the Basic Conditions of Employment Act of 1997 (BCEA) and the Employment Equity Act of 1998 (EEA). The LRA sought to provide a legislative and procedural framework for the regulation of collective rights and duties and for further advancement of labour rights, and thereby their formalised organisational rights, in a way consistent with the country's new constitution. It contains provisions on a range of specific matters such as dismissal, retrenchment and unfair labour practices. And, in addition, it is concerned with the creation and promotion of a productive and just workplace environment through regulating the employment relationship (Mabogoane, 2006). The BCEA seeks to advance impartiality and equity in the workplace by setting universal standards in terms of for example working conditions, maternity leave, health regulations and overtime rates. In complementing this, the EEA aims to address on-going discrimination in the workplace, as well as to correct racial and gender imbalances in the workplace. In this, employers are required to eliminate unfair workplace discrimination and enhance the training and promotion of people from disadvantaged groups. Together, this (and other) legislation provides the formalised and regularised basis for labour relations in contemporary South Africa.

These acts admittedly do not directly and specifically address labour process issues, for instance by insisting on a particular mode of managerial control or suggesting alternative modes, or by requesting particular work methodologies, arrangements or styles. Certainly, though, because of the interwoven character of labour markets and labour processes, such legislation – if and when implemented – is bound to impinge on labour process dynamics including the types of relations which exist between management (or owners like taxi owners) and workers, as well as work conditions. For instance, all kinds of security (or insecurity) for workers cannot be neatly separated out as either labour market or labour

process concerns. These include labour market security (access to the labour market), employment security (protection of workers for instance from arbitrary loss of employment), by job security (for example, protection of job-based rights) and work security (including decent working conditions, and health and safety protection) (Standing, Sender and Weeks, 1996:9). The combined legislative labour relations framework in contemporary South Africa seeks to defend these forms of worker security and the ways in which these are implemented in practice (or perhaps not implemented) has serious repercussions for everyday working relations between employers and employees.

In the case of the minibus taxi industry, the taxi drivers (and other workers) and taxi owners fall within the realm of the employee and employer respectively in terms of statutory laws. In this regard, Mahlangu (2002:22) notes that “section 213, paragraph (a) of the Labour Relations Act defines an employee as any person, excluding independent contractors, who works for another person or for the state and who receives, or are entitled to receive, any remuneration”. De Kock and Sonderling (1998) argue that, in terms of this definition, taxi owners are regarded as employers. They also go on to indicate that “as part of their responsibilities, operators [such as taxi owners] have to ensure compliance with the minimum employment standards and to manage the labour relationship in such a way that it contributes to optimal productivity” (De Kock and Sonderling, 1998:39). The owner-driver (the taxi owner with one taxi only) is ruled out of this employer-employee relation because he or she is both the generator and the consumer of profit gained in the execution of services.

### **3.6 The Minibus Taxi Industry in South Africa**

The preceding discussions in this chapter have spoken about the informal sector and shifting labour patterns in post-apartheid South Africa, as a basis for examining the taxi industry. The following two chapters (Chapters Three and Four) speak directly to the East London taxi industry, but for the balance of this chapter focuses on the taxi industry in South Africa more broadly. In doing so, I consider questions about formalisation and in-formalisation in the context of state regulatory measures – with regard to labour but also other attempts by the state to incorporate the taxi industry under the wing of the state (notably the Taxi Recapitalisation Programme). In this regard, despite the pertinence of current labour legislation to the taxi industry and the requirement that taxi owners act in terms of the legislation, it appears that the legislation is flouted on a regular basis and that workers are subject to exploitation. This is similar to the recapitalisation programme, which also has serious problems when it comes to implementation. With specific reference to the taxi

industry labour process, it is marked by contradictory processes of formalisation and in-formalisation.

The minibus taxi industry in South Africa has a range of specific characteristics including, of particular importance to this thesis, the organisation of the labour process and forms of labour control. Currently, the minibus taxi industry straddles the formal and informal economies in South Africa. In fact, the industry is subjected to processes of formalisation and in-formalisation and this tension-riddled condition impacts on the labour process. Many informal ways of doing business in the industry prevail and these seem to be sustained by cost minimisation measures through labour exploitation and general disregard of safety standards and state taxes. At the same time, the state seeks to increasingly regulate the industry through for instance its recapitalisation programme. Owners and workers in the taxi industry handle these contradictory pressures as they negotiate the conditions and terms of the labour process on an everyday basis.

The minibus taxi industry includes fleet owners who usually own more than one taxi and hire taxi drivers; and owner-operators with only one minibus. Given that the study of the East London industry focuses on owners of fleets (who do not operate a minibus themselves), in the following discussion I refer to taxi owners only and not owner-operators. In this regard, taxi owners are simultaneously taxi managers, and employ workers in the capacity of taxi drivers, cleaners, mechanics, taxi marshals, taxi receptionists and accountants. Besides taxi owners and various types of workers, critical to the industry – as will be seen – is the state with reference to recapitalisation and labour regulations as well as commuters. The taxi industry is in many ways commuter-driven and, therefore, as long as there are commuters to pick up, taxis have to operate.

The taxi owner provides a minibus taxi to a driver for use who has the responsibility and obligation to take commuters to their destinations. It is clearly in the interests of the owner to ensure optimum productivity within the taxi business and, in doing so, “it is the responsibility of every operator [owner] to ensure minimum compliance with employment standards and manage labour relationships in accordance with the legislation of the country” (Mahlangu, 2002:22). Taxi owners generally decide upon the remuneration paid to taxi drivers on a commission basis, for instance, 25% of the total amount of commuter ticket fees accumulated over a set time, such as per week. The reasoning behind the use of commission, rather than a set wage, is that the sheer volume of business in the taxi industry is subject to considerable fluctuations weekly, monthly and seasonally. Despite the existence of a

minimum wage determination for the taxi industry, it is still the case (to this day) that taxi drivers are being paid on a commission basis, as is explored in Chapter Five.

As such, the use of this payment system pressurises a taxi driver to work hard and maximise customers (Khosa, 1994; SATAWU, 2012). From the taxi driver, the owner on a regular basis does a so-called ‘checking’ (of the commuter-based revenue), with the revenue used to pay the drivers (and other employees), any instalment on the vehicles (and related vehicle expenses) and to sustain his household. The taxi drivers (and other employees) are generally not issued with pay slips; and there are no unemployment insurance or other welfare-type deductions, and, consequently, no short-term or long-term protection against unemployment, sickness and disability (SATAWU, 2012). This is despite the fact that the taxi driver is critical to minibus operations, perhaps even more important than the vehicles themselves, including ensuring the safety of commuters (Browning 1991). Driver is also expected to take care of the taxi to minimise repairs and maintenance (Browning, 1991; Khosa, 1994).

The state plays a vital regulatory role in relation for example to labour legislation, in the issuing of permits to taxi operators and in providing sites for taxi ranks. The relevant state departments in this regard are the Department of Transport (DoT) and the Department of Labour (DoL). The latter department performs a role in formalising the labour relationship for taxi employees (notably taxi drivers and queue marshals) through the Sectoral Determination for the Taxi Sector (Mdladlane, 1999; SATAWU, 2012). This is mainly aimed at ensuring minimum standards of working conditions for minibus taxi industry workers. The DoT is also involved in the ongoing replacement of minibuses with bigger, comfortable and safer buses, in part to maximise the safety and comfort of taxi commuters. This is part of the regulatory taxi recapitalisation process led by the DoT (Fourie, 2003) which seeks to formalise the industry.

The industry though continues to be marked by cost minimization measures through labour exploitation (including deplorable working conditions for drivers and other employees), and general disregard for safety standards; as well by conflict and violence because of the competitiveness of the industry (SATAWU, 2012). The work pressures faced by drivers on a daily basis (along with the un-roadworthiness of the vehicles as owners seek to minimize costs) are among the causes of the many *kombi* (minibus) accidents taking place on South African roads (Fourie, 2003). Despite cost cutting, Fourie (2003: ii) argues that the industry is at times marked by “declining profit margins”.

One of the biggest challenges of the DoT remains the formalisation (broadly speaking, restructuring) of the public transportation system, given the significance of the minibus industry. The industry plays a vital role in the economy considering that the majority of South Africans are poor and depend on public transport (Arrive Alive, 2012). The industry is made up of unmetered minibus taxis, which dominate 90% of the market, with metered taxis active in the remaining 10% of the market. Overall, minibus taxis account for 65% of passengers moved by public road transport while the figures for large buses and rail are 20% and 15% respectively. Currently, it is estimated that there are 250,000 mainly Toyota minibus taxis operating on South Africa's roads. Moreover, the industry in South Africa is comprised of more than 20,000 owners and 200,000 employees (Arrive Alive, 2012). In addition, it has direct and more indirect employment-creation knock-on effects, such as: car washers who wash taxis at taxi ranks; mechanics who repair minibuses and upholsterers; and, in interconnecting with the formal economy, car manufacturers who specialize in minibuses notably Toyota and Nissan.

There is a growing literature on the taxi industry in South Africa, including its historical development (Barolsky, 1990; Forrest, 1997; McCaul, 1990; Khosa, 1992; 1994). However, not much attention has been paid to labour relations and labour processes within the taxi industry, and the industry as a site of capital accumulation (and its relationship to the state, car manufacturers and assemblers, and finance capital in this respect). The existing evidence (including the statistics given) clearly suggests though that the minibus industry is a major and often thriving industry. Even before the end of apartheid this was the case. As Khosa (1994:56) notes for the mid-1990s, "today, the taxi is a powerful force in the urban economy and provides some four motor manufacturing companies with a turn-over of about R3 billion a year, capital investment of about R3.5 billion, and has created some 300 000 jobs". For this reason, the South African state views the industry as facilitating black economic empowerment and as accommodating the employment needs of the unemployed and retrenched workers.

The minibus taxi industry has been acclaimed at times as one of the success stories for black small business. In South Africa, the industry has grown from an insignificant informal sector activity in townships to the dominant mode of public transport. However, the expansion of this industry did not occur in a smooth and organic manner, not does every 'stakeholder' benefit equally from the fruits of the industry. A careful consideration of the history of the minibus taxi industry in South Africa reveals different periods of development

which were mainly influenced by government intervention and legislation (Fourie, 2003). I now turn to this history.

### **3.6.1 History of the Minibus Taxi Industry**

The minibus taxi industry in South Africa was established by black entrepreneurs and up to now it mostly serves the black community. Prior to the late 1970s, the South African state inhibited black involvement in the taxi industry through state regulations. The period from 1977 to 1987 was characterized by partial deregulation and by the struggle of the taxi industry to be recognized as a legitimate public transport operator. From 1987, there was a period of fuller deregulation of the industry coupled with taxi violence, in the face of stiff competition, as a part of the daily operations of the taxi industry. The post-apartheid era has been informed by efforts to bring the industry under a renewed and stricter form of control and regulation. As such, in 1999, the Taxi Recapitalisation Programme was announced in order to formalize the taxi industry.

But the taxi industry has been in existence as far back as the early 1930s, such as at Natalspruit (now called Katlehong), during which time taxis were permitted to carry a maximum of four passengers (Mahlangu, 2002; McCaul, 1990). During this time, taxis were essentially used for journeys within black townships. Urban blacks, under policies of segregation and because of insufficient capital resources, were prevented from entering the taxi industry in significant numbers. In making a similar point, but in reference to the post-segregation period (from 1948), Barrett (2003:6) notes that “a feature of apartheid and the institutionalized racism it introduced in the early 1960s was that Black, and particularly African people had very limited legal access to business opportunities”. It was near impossible for an African person to operate a taxi in the taxi industry. This was a result of the application of the so-called ‘One-Bantu-One-Business’ policy, which had very serious consequences for participation in the taxi industry. Before 1977, black people were only allowed to be involved in one business. At the same, time, companies and partnerships were prohibited, as were African financial institutions, industries and wholesale concerns. Deregulation in the late 1970s changed this.

Before that, the only black people who were allowed to trade were those who qualified for urban rights under the Urban Areas Act of 1945. This meant that to get a trading (including taxi) permit, an applicant had to be in the urban area legally, be a registered tenant, be in possession of at least a Daily Labourer’s Permit, and have a good employment record (Fourie and Pretorius, 2005). Being in urban areas legally was extremely

difficult because of the pass law and influx control systems introduced under apartheid in 1952, as these systems controlled the influx of rural migrants into urban areas (Alexander and Chan, 2004). Overall, discriminatory state interventions blocked black participation in the taxi industry. Before 1977, then, the black taxi industry was not a particularly important part of the public transport industry. Sedan vehicles, like Valiants and Chevrolets, were used as taxis and only for trips within black communities. Initially, many kombi taxis operated illegally (and still do), as public carrier permits were difficult to obtain. At the same, bus and rail transport were regulated but inefficient.

This all changed in the late 1970s, as the state sought – amongst other things – to build a black middle class through small business establishments. This included a process of deregulation of the taxi industry, leading to an almost revolutionary growth of the taxi industry in the 1980s. In this light, McCaul (1990:35) argues that “it was from about 1977, however, that taxi operators – new entrants as well as those formerly operating sedan vehicles – began introducing ten-seater minibuses (kombi taxis) on to feeder and commuter routes” beyond townships. In 1977, the government had established the Breda Commission of Inquiry into transport deregulation (Khosa, 1994). The commission established that South Africa “had reached a stage of economic and industrial development which enabled it to move towards a freer competition in transportation” (McCaul, 1990:38). Following the recommendations of the commission, the Road Transportation Act came into operation in the same year and opened up the public transport system to those previously excluded.

The Road Transportation Act of 1977 allowed for the entry of black operators into the taxi industry more easily. In this regard, it defined a minibus as a motor vehicle designed for the transportation of no more than nine people (including the driver). This facilitated the introduction of legal minibus taxis to be used for carrying up to eight passengers. The demand for minibus taxis was however growing exponentially and, with delays in issuing taxi permits, taxi drivers largely operated without permits (illegally). As a result, “they were subjected to fines, and often to forfeiture of their vehicles, with enforcement coming largely from South African Railways Police Force” (Barrett, 2003:6).

In 1983, the Welgemoed Commission was established to study the increasing complexities in the industry, and it recommended that minibus taxis be made illegal by closing the one loophole that existed in the Road Transportation Act and that no more permits should be granted (Ingle, 2009). The idea though was floated to issue a restricted number of permits and this was finally implemented in 1989, for three years. In spite of this, however, the industry continued to grow at a rapid rate. As a result, in 1986, a 16-seater bus was

legalized for taxi use. Barrett (2003:7) argues that “by 1989, around 50,000 minibus taxis were operating nationally and held the largest share of the commuter market”.

Further deregulation started in 1987. This was done on the basis of legislation, notably the Transport Deregulation Act of 1988 in conjunction with the White Paper on Transport Policy, which was tabled in January 1987. This allowed the government to open a platform whereby market forces would determine entry into the minibus market, thus effectively encouraging applicants with capital to be granted a permit to operate a minibus taxi (Fourie, 2003). This resulted in another significant round of minibus taxi growth (until the end of apartheid in 1994). One advantage of the taxi industry in positioning itself as a major player in the public transport system was the perception in the minds of black commuters of it being a community-based industry which, further, had survived despite restrictive apartheid laws and without any state subsidies (Forrest, 1997). The minibus taxi industry, on this basis, became a critical base for black capital accumulation, with many taxi operations reinvesting profits and buying new taxi fleets, and thereby increasing the total quantity of capital.

However, the industry continued being faced with major competition over routes leading to taxi wars and violence for instance in Soweto, Alexandra and Katlehong in the late 1980s and early 1990s (Khosa, 1992). This continued on into the new South Africa (from 1994). As Fourie (2003:37) notes, “following the general election in 1994, taxi violence continued and in fact, escalated”. In the post-apartheid period, violence has become more widespread, de-centralized and criminal in character.

Some of the major problems experienced by the minibus taxi industry in South Africa in the 1990s, besides conflict and violence, included the following: poorly maintained and aged vehicle fleets; overtraded routes; low profit margins for many taxi owners and operators; high cost of vehicle purchase and maintenance; lack of skills and appropriate training; meagre road safety including a significant number of deaths of commuters; bad working conditions for taxi drivers; and high cost of finance and insurance premiums (Fourie, 2003). In recognition of these problems and, in seeking to resolve, the state sought to intervene more forcibly into the industry.

In light of this, in 1995, “the government, through the establishment of the National Taxi Task Team (NTTT), took a critical step to deliberate the problems of the industry” (Fourie: 2003:37). The NTTT was thus launched to improve the performance of the taxi industry, and also investigate ways of improving road safety, increasing financial margins and ending the conflicts. The most important recommendation made by the NTTT was that



the taxi industry be regulated and formalized. For example, proposals for regulation involved: a moratorium on permit issuing; the registration of operating taxis and where they are operating; and the special legalization of illegal operators without permits (Dugard, 2001).

In an attempt to respond to any failures in regulatory measures, since 1999 the government has shifted its focus to restructuring the taxi industry in terms of an ambitious recapitalization programme. This in itself has been meant to formalize the taxi industry, as it envisioned the creation of a new kind of taxi industry, comprising larger 18- and 35-seater diesel powered vehicles, and one which was to be regulated from the outset. Fourie (2003:40) thus argues that “under the recapitalization plan, jointly developed by the Department of Transport, Trade and Industry, Minerals and Energy, and Finance, the government will subsidise owners to help them buy the new 18 to 35 seat taxis”. Also central to the recapitalization programme has been the regulatory management of the taxi industry with a view to improving road safety and decreasing taxi violence within the informal taxi industry.

Since the taxi industry emerged and developed, the primary relationship in the industry has been between the owners and workers. The secondary relationship, that is, the government’s involvement, has been significant, but not necessarily effective. Mahlangu (2002:15) argues that “until recently, the state has had little intervention in the minibus taxi industry”. The intervention has often involved technical assistance, such as issuing permits and allocating space for taxi ranks, with a broader initiative of this kind now under the recapitalisation programme. The second form of intervention has been with regard to labour relations (to govern the primary relation) as part of general labour relations restructuring at a national level. Before discussing changes on the labour front and its impact on the labour process, I first turn to the taxi recapitalisation programme.

### **3.6.2 Formalisation of the taxi industry: Taxi Recapitalization Programme (TRP)**

Clearly, the minibus tax industry struggled to stand on its feet under the weight of segregation and apartheid. As Fourie (2003:29) argues, “the development of taxi industry, similar to most informal business [for blacks] was overlooked by government of the day providing no assistance in terms of subsidies, etc”. Thus the history of the taxi industry is etched by the broader history of racial segregation and discrimination such that, before processes of deregulation in late apartheid, “minibus taxi operators had to defy the apartheid laws and strict regulations, which were prejudicial to blacks” (Ferreira 2010:2). As a result, up to 90% of minibus taxi permit applications by blacks were either not processed or declined. In that context, black taxi operators were thus faced with the option of operating illegally and often

pursued this route. Simultaneously, “buses and trains were inadequate and expensive, and the demand for minibus taxis outstripped the supply” (Ferreira, 2010:2). In fact, minibus taxis posed a threat to the monopoly of formalized public transport by buses and trains.

However, today, the minibus taxi industry forms an integral and complex part of the South African public transport system. The business operations and activities within this industry can be described as largely informal and unregulated, based on a social and economic fabric woven by and between taxi owners, taxi drivers and other employees, taxi users, government, vehicle manufacturers and other transport-related businesses (Geldenhuys, 2008; Fourie, 2003). Given this, it makes sense to argue that the taxi industry is structurally situated in the informal economy but with close links and interactions with the formal economy. The industry is recognized as a genuine example of Black Economic Empowerment (BEE) or of the more recent Broad-Based Black Economic Empowerment (BBBEE). It is the only sector where black people control an entire sector through in terms of ownership, though still operating in the informal economy.

This informality is in part informed by the very character of the taxi industry (including the organisation of the labour process), namely “the operations are demand-responsive: they go where the need manifests itself” (Browning 2006:21). This means that, in contrast to the formal sector (including other kinds of public transport), taxi operations are in many ways unplanned. The owner and driver act almost as free agents. The driver for instance makes decisions on almost a minute-by-minute basis as to how he is going to operate so as to maximise revenue. In the case of the owner, if he wishes to withdraw one of his vehicles to use it for private purposes, he does so. Further, in contrast to the formal transport system, there is no ticket system in the taxi industry; fares are paid in cash without necessarily any clear records of commuter payments. These and other forms of informality, which will be discussed more fully later (particularly in relation to the case study of East London), are the basis for the state’s insistence on formalising the industry.

At the core of the formalisation of the taxi industry is addressing the following issues: lack of adequate dispute resolution, lack of worker discipline, splinter associations of taxi owners, no code of ethics, unregistered taxis, poor labour relations, poor customer care, and lack of training. Of importance here, of course, would be the introduction of labour laws (which seek to regulate employment relationship) in the taxi industry. This I discuss after the following overview of the Taxi Recapitalization Programme (TRP).

The government first announced the TRP in 1999 (Geldenhuys, 2008). As indicated above, this arose out of the NTTTT as a strategy to transform the *kombi*-taxi industry into a

“new” taxi industry within a proper regulatory framework. The ‘target’ population of the recapitalisation programme, as identified by the DoT, was the taxi owners, while the official role players would become the following: the national government departments coupled with their provincial counterparts, including the Departments of Transport, Trade and Industry, Minerals and Energy, Environmental Affairs and Tourism, Labour, and Finance; the South African Bureau for Standards (SABS); the motor industry, and the South African National Taxi Council (SANTACO) (Mashishi, 2011; Geldenhuys, 2008).

The TRP aimed at formalising, regulating and phasing out the current 9 to 16-seater fleet of taxis and replacing them, as indicated, with 18 to 35-seater TRP taxi vehicles. At the core of the phasing out the older *kombis* was the claim that newer and larger taxi vehicles, which were compliant with regulations, would reduce the number of vehicles and accidents on the routes, improve the quality of the transport service and reduce the general cost of travel (Mashishi, 2011). Non-compliant minibuses were to be scrapped at the value of R50,000. Also central to this conversion of the minibus taxi industry was making the industry cognizant of future government plans to integrate the taxi industry into the better regulated Road Based Public Passenger Transport System (RBPTS). Nevertheless, Mashishi (2011:2) notes that “taxi owners rejected the advocacy of the government and it became evident that some were purchasing new non-TRP compliant taxis irrespective of the progression of the TRP”. Such actions demonstrated an open resistance to the TRP, and it was clear that there were still doubts and different views amongst taxi owners with regard to the economic implications and benefits to flow from the TRP.

The TRP is clearly seen by the state as a critical strategy in transforming and integrating the different dimensions of public transport system in a coherent manner (Oosthuizen and Mhlambi, 2002). However, the government has been faced with ongoing challenges in implementing the programme which is not progressing as expected. One critical issue in this respect is the question of representation, notably the legitimate representatives of the key stakeholder (the taxi owners). There are also concerns emanating from taxi owners, and related to representation, about the cost complications of recapitalization (Mashishi, 2011).

In relation to representation, the South African National Taxi Council (SANTACO) was formed in 1998 as an industry-driven response to the government’s failed attempts to resolve taxi violence. SANTACO has a democratically-elected council and claims to represent the whole industry (Sekhonyane and Dugard, 2004). However, shortly after SANTACO was formed, “a rival association, the National Taxi Alliance, set up office and it,

too, claimed to be the mouthpiece of the taxi industry” (Sekhonyane and Dugard, 2004: 16). There have been subsequent conflicts between the two bodies over representation, which continue to cause problems for the recapitalization process. Sekhonyane and Dugard (2004:16) argue that “the existence of two associations both claiming to represent and speak on behalf of the taxi industry significantly complicates government’s efforts to consult with and enter into binding agreements with the industry”.

As indicated, the government identified taxi owners as the key target group of the TRP, but the evidence suggests that it did not meaningfully consult the taxi owners in the formulation of the TRP, such that the policy formation process was a flawed one. Also, given that the taxi industry encompasses a range of agents (including taxi drivers, fare collectors, rank marshals), it is regrettable that the state did not see it fit to engage with these critical players in the industry. After all, recapitalisation entails significant industrial restructuring which is bound to have implications for the labour process within the taxi industry, as well as for the working conditions and socio-economic livelihoods of workers within the industry. This is despite the fact that the recapitalisation policy fails to pay any attention to the labour process or labour relations within the taxi industry.

In this light, in the following section, I seek to outline the labour process within the minibus taxi industry.

### **3.6.3 Labour Process Conditions within the Minibus Taxi Industry**

Since democracy in 1994, there have been state efforts to formalize or regulate the taxi industry. This is premised on providing safe and affordable transport, well-trained drivers, reasonable (and not extraordinary) profits and acceptable employment relationships which protects employer and employee alike. The government has introduced labour laws that seek to regulate the industry, including general legislation such as the Basic Conditions of Employment Act and, more specifically, the ‘Sectoral Determination 11: Taxi Sector’. For instance, drivers are expected to work 48 ordinary hours per week maximum, and are entitled to overtime pay, meal intervals and annual leave. But the prevailing literature on the taxi industry strongly suggests that taxi owners tend to bypass this and other legislation in an attempt in the main to reduce labour costs. In this sense, the taxi industry continues to operate as ‘business as usual’ through everyday informal relations which run contrary to labour legislation.

The organisation of the labour process within the taxi industry, like any other industry, is about how work is organised, and who has control. As in any other ‘workplace’,

central to the labour process in the minibus taxi industry (for both employer and employee) is working hours, overtime, meal intervals, daily and weekly rest periods, pay for work on Sundays, night work, work on public holidays, emergency work, annual leave, maternity leave, family responsibility leave, payment of remuneration and deductions and termination of employment (Mahlangu, 2002; SATAWU, 2012). The labour process varies considerably, with significant variation between a taxi owner with a fleet of buses and an owner-operator with one taxi.

Thus, as far as the labour process is concerned in the taxi industry, the owner/operator of the means of production (taxi) has a double function insofar as only one taxi is involved: the function of the capitalist/manager, that is, the organisation of the labour process, and the function of the labourer (collecting fares and driving taxis). But many taxi owners own a fleet of taxis (as in my East London case study), with workers such as drivers and marshals employed and involved in the execution of tasks. The taxi owner has overall managerial control within the labour process, though employees are scattered and not located in one centralised socio-space. Still, the taxi owner directs the process, for instance by determining and organising the number of hours that the driver is expected to work daily and weekly, and procedures for handling tasks. Like elsewhere, the labour process is organised in such a way as to maximise profit for the taxi owner. As indicated, this may lead to conditions of work which do not comply with the provisions of the BCEA provisions (SATAWU, 2012).

Mahlangu (2002) in fact argues, a decade ago, that even though taxi drivers and other workers qualify as employees in terms of the LRA, the impact of South African labour legislation has not yet been felt by the taxi industry. Whether this continues to be the case, at least with reference to the taxi industry in East London, will be discussed in later chapters. All the available evidence though is highly suggestive of ongoing informalisation of the owner-worker relation within the taxi industry, including exploitation of the workforce by the payment of wages below the minimum set by the Sectoral Determination, and general disregard for health and safety standards. In other words, taxi employers continue to bypass labour laws and regulations that seek to regulate the taxi industry and which lead to conditions of exploitation for workers.

There is a clear and extreme power differential power relationship existing between taxi owner and specifically drivers, and this leads to exploitation of the workforce. Of course, at the same time, taxi owners and drivers both have one thing in common. Mahlangu (2002:48) argues that “they need each other for their survival”. They both benefit in this antagonistic relationship, though unequally, in terms of profit and wages. This tension is

constant as there is a tug of war between owner and driver, with owners seeking to maximize revenue and profit, and drivers seeking to look after at their households and even at times seeking to maximize income in the hope one day of buying his own minibus and becoming his own boss (Khosa 1994).

This power differential within the taxi industry is also a constant. And this means that taxi drivers are daily exposed to bad working conditions which are not in line with the Basic Conditions of Employment Act or the Sectoral Determination on wages. It can be seen, for example, in the quota system (where it still exists). A quota system means that, in the morning, a taxi owner sets a target for a taxi driver to be met by the evening, and taxi drivers desperately seek to reach the quota or target on risk of dismissal for not reaching the target. This causes drivers to overwork themselves and thus put their own lives, the lives of commuters and the lives of fellow road users at risk. It also often leads to taxi drivers sacrificing the quality time they are supposed to spend with their families because they want to retain their employment (Mahlangu, 2002) or receive more commission if paid on a commission basis. McCaul (1990:89) notes that “methods of payment vary” for workers: “Some owners do not pay wages and expect a certain percentage of the daily takings or a specific amount per week, the driver being entitled to keep the rest”. The specific amount though of course is determined at the discretion of the owner, and it may be altered on short notice. However, Mmadi (in SATAWU, 2012) argues that:

Long working hours are tied to the payment systems common in this industry: the quota system pegs the driver’s wages to the daily target – when drivers meet the target, they pocket the rest; the percentage system puts the driver’s wage as a portion of their daily takings – the common practice is between 20% and 30%.

The quota system has however become useless, and drivers are paid for days worked on an ‘earn as you work basis’. This then forces drivers to work every day and (thus) have no time for family and social life.

As noted earlier, the BCEA (read with the Sectoral Determination) stipulates clearly the basic conditions of employment for taxi industry workers. It mentions that drivers must work a maximum of 48 hours per week and “drivers are also allowed 36 continuous hours of rest, and three week’s annual leave on full pay” (SATAWU, 2012:7). However, taxi drivers often work between 16 and 18 hours a day. Research undertaken by Mahlangu (2002), on the conditions of employment of Erasmus-Akasia Taxi Association (EATA) taxi drivers, clearly demonstrates such problems. The protection provided for taxi drivers and other workers in the minibus taxi industry under labour legislation is in large part *de jure* with no real force in

practice. And given that taxi owners choose to ignore labour laws in the taxi industry, taxi drivers are then excluded from employment-linked benefits such as the Unemployment Insurance Fund (UIF) and leave pay (SATAWU, 2012). They are also exposed to the constant anxiety of losing their jobs given that employment contracts are rarely drawn up and signed.

### **3.7 Conclusion**

Central in this chapter has been an attempt to critically engage with the labour process within the South African minibus taxi industry as structurally situated in the 'informal economy'. I argued that the informal economy in SA is a significant, but not well understood phenomenon. Briefly, the chapter considered the following sections: South African political economy; overview of the South African sector or economy; transcending dualism on South African economies; labour relations in contemporary South Africa, with questions on formalisation and in-formalisation central here; the minibus taxi industry in South Africa, the history of the [taxi] industry, formalisation of the industry and, the labour process conditions within the minibus taxi industry. The minibus taxi industry was started by Black people, and serves mostly the black community. It is recognized as the genuine example of BEE, the recent Broad-Based Black Economic Empowerment (BBBEE). The taxi industry operates entirely in the informal sector; it is seen as a genuine example of a petty commodity production. The industry is informed by exploitative labour processes; for example, taxi drivers working for long hours while being paid poor wages. The labour process itself is marked by contradictory processes of formalisation and informalisation. On one hand, the state seeks to regulate the labour process/employment relationships by introducing labour laws in the industry. This is seen as an example of formalisation; however, taxi operators/owners tend to ignore these labour laws such as Labour Relations Act, as they seek to maximise profit, and (thus) reduce labour costs. Moreover, workers continue working under terrible working conditions. Taxi drivers are forever driving (working). They are working in an environment where employers simply bypass labour laws. So, insofar as employers circumvent labour laws, here, we are experiencing the case of informalisation. The current working conditions in the taxi industry benefit the employers at the expense of the employees. Given this, as mentioned in this chapter, Khosa (1994:63) argued that "the taxi industry epitomises what Marx called the 'antagonistic character of capitalist accumulation'" (1961:645).

## **Chapter Four:**

### **The Buffalo City Public Transport Sector: The Formalisation of the Minibus Taxi Industry**

#### **4.1 Introduction**

This chapter critically engages with the questions around restructuring of the public transport in East London, and Buffalo City at large. In particular, it considers the formalisation process but labour, with regards to the Integrated Development Plan, Integrated Transport Plan, Public Transport Plan and Public Transport Plan for Mdantsane. The focus is mostly on the Mdantsane taxis. As an economically marginalised industry in the public transport sector, the industry is a critical pillar of the public transport. Moreover, the industry – and public transport at large – provides linkages between the urban periphery and the city centre. As such, this chapter is divided into five main sections: the first section considers the Buffalo City Municipality and its economy; and a subsection on East London and the growing informal economy. The second section outlines the Integrated Development Plan (IDP) which is a strategic development plan for each municipality in South Africa. This section is followed by a third section on BCM Integrated Transport Plan (ITP) and Public Transport Plan. A fourth section discusses the Public Transport Framework Plan for Mdantsane. Moreover, a fifth section considers the minibus taxi industry as a site of conflict.

#### **4.2 Buffalo City Municipality and its Economy**

Buffalo City is situated in the Eastern Cape Province and only acquired its status as a metropolitan municipality in 2011. It is made up of three urban centres – East London, Mdantsane and King William’s Town – and about 280 villages (consisting of one-third of municipality’s population) scattered throughout the surrounding rural areas. East London is the 7th largest city in South Africa and Mdantsane initially arose under apartheid as a dormitory town on the outskirts of East London (see Maps 4.1 and 4.2 below). Mdantsane was located in the former homeland of Ciskei with workers commuting daily to East London and returning to Mdantsane at night. East London is in fact unique in South Africa as it borders two former homelands – Transkei and Ciskei. Post-apartheid South Africa, in doing away with influx control legislation and pass-laws, has witnessed a considerable influx of rural people into Buffalo City urban centres (notably East London) in search of urban employment (Sam and Wiseman, 2006).



**Map 4.1 – East London**



Source: <http://www.sa-venues.com/maps/easterncape/east-london.php>

**Map 4.2 – Mdantsane**



Source: <https://www.google.co.za/search?q=map+of+mdantsane+south+africa>

The economy of Buffalo City is largely driven by finance, government, manufacturing and trade. With the opening up of the South African economy under neo-liberalism to the global market and trade liberalisation over the past decade a more, there has been increasing pressure on firms to become globally competitive. Buffalo City has been no exception to this pressure to foster economic growth, and the municipality has sought to position itself as a worthy site for foreign investment.

Buffalo City Municipality (BCM) is currently promoting economic development and employment creation through two main initiatives: the expansion of the Department of Local Economic Development and Tourism, and the development of the Revitalising Buffalo City Plan of 2006. The Department of Local Development and Tourism focuses mainly maximising on the economic development potential of the Buffalo City urban centres. In recognising that the only sustainable base for achieving the municipal's development goals is a sound, employment-rich economy, the Revitalising Buffalo City Plan is aimed at transforming the municipality into an effective, financially-sustainable development agency in line with recent and proposed legislation.

The 1996 Constitution of the Republic of South Africa in fact states that a municipality must become local agents of socio-economic development. And this constitutional requirement is reinforced by relevant legislation and programmes about the functions and responsibilities of municipalities (such as the Municipal Systems Act of 2000 and Integrated Development Plans which are enacted every five years by each municipality). This means that dedicated projects are to be undertaken over the life span of IDP (5 years). The new municipal boundary demarcations which created Buffalo City Municipality in 2011 are meant to provide a stronger basis for constructive developmental interventions.

#### **4.2.1 East London and the growing informal economy**

East London is called Buffalo City by the local population, and has a population of approximately 880,000 people. Mdantsane, which is part of the East London/Buffalo City complex, is a large sprawling black township. It is mostly a residence for blue collar workers working in East London, though it also caters for a small middle class of public servants who live mostly in Unit 17 (Nodal Economic Profiling Project, Business Trust & DPLG, 2007 Mdantsane). Because of its dormitory status historically and because it remains as an insignificant source of formal employment, residents in Mdantsane rely on public transport (and notably the minibus taxi industry) for purposes of travelling to and from work in East London and often for shopping as well. It is estimated that up to 100,000 commuters use the

public transport system on a daily basis from Mdantsane to East London and surrounding areas.

After Port Elizabeth, East London is the second largest industrial centre in the Eastern Cape Province with the motor industry as the dominant employer. For example, there is a major Delmar plant that is located next to the harbour and it manufactures Mercedes-Benz and other vehicles for the local market as well as exporting to the United States and Brazil. Other industries include clothing, textiles, pharmaceuticals and food processing. There is also a concerted drive to stimulate investment in East London, made possible by the East London Industrial Development Zone (IDZ) which was established in the West Bank in 2004. The sectors with the steadiest growth rates in East London are manufacturing, trade and accommodation, transport and communication, and financial and business services.

Like other urban centres in South Africa, East London and Mdantsane continue to be characterised by high levels of urban unemployment, low incomes and deep poverty. Almost one-third of Buffalo City's adults are unemployed in terms of access to the formal economy and there are growing numbers of people working within the informal sector. The BCM therefore highlights the significance of the informal sector and its contribution to economic activities in the local economy (BCM Annual Report, 2011/2012). The report goes on to mention that

After a period of economic improvement from 2005, the unemployment rate in Buffalo City again started to trend upwards, especially during the period 2008 and 2009. The number of people employed in Buffalo City shrank from 267,332 to 261,882 jobs, representing a loss of 5,400 jobs over this period. The number of unemployed people increased accordingly to 82,000 during the period under discussion (BCM Annual Report, 2011/2012:14).

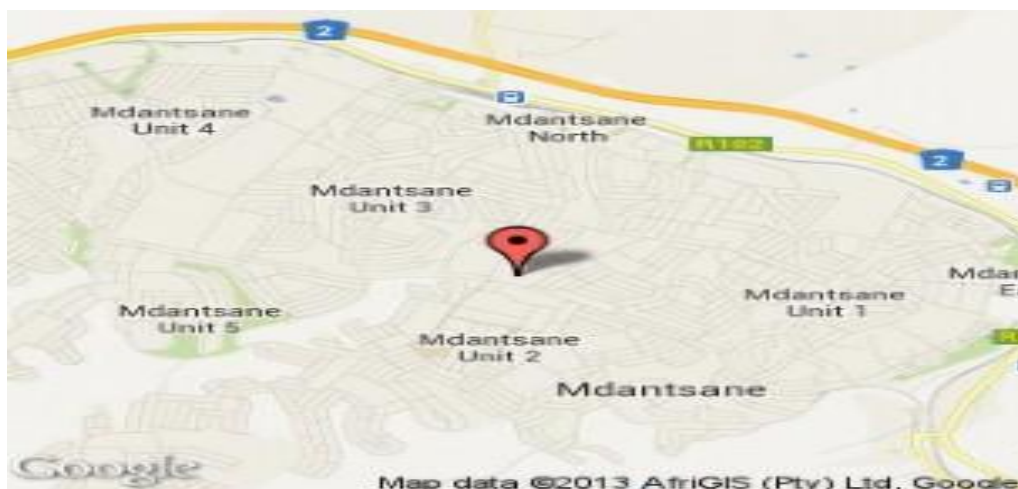
In this socio-economic context, the city centres in East London and Mdantsane abound with informal registered and unregistered businesses.

As with South Africa more broadly, there are significant linkages between the formal sector and informal sector in East London and Mdantsane. The existing literature shows that, historically under apartheid, the informal sector in East London and Mdantsane, and in particular informal trading, was a significant source of debate and conflict in the city (Holness, Nel and Binns, 1999; Hart and Rogerson 1989). For example, Holness, Nel and Binns argue that "by 1984 there was a total council ban on hawking in the city centre, and even purchasing from hawkers was made a punishable offence" (1999:189). Combined with national protest action against apartheid as a system of racial domination, this resulted in a crippling black consumer boycott of white businesses in 1985. With the birth of democracy,

street trading continues to play a significant role in the lives of the marginalised urban poor within the city and surrounding areas.

There is significant informal trading taking place in the centre of the city of East London, as well as along Mdantsane Qumza Highway (the transport route between East London and Mdantsane). Indeed, the East London city centre and Mdantsane Highway remain the areas with the greatest concentration of informal traders; they are also sites for spatial and economic conflict between the formal and informal sectors in seeking to establish a clientele base (BCM IDP, 2011–2016). Given the fact that the central business district (CBD) in East London is the focus of the transport systems and economic activities within the city and Mdantsane more broadly, its attraction to informal traders is clear (Holness, Nel and Binns, 1999). Indeed, unlike other CBDs in South Africa (such as in Port Elizabeth), the CBD in East London has not been ‘gutted’ and it remains a viable and vibrant economic hub. A CBD in Mdantsane is also spoken about, and this refers specifically to the business activities that take place in one key spot along the Mdantsane Qumza Highway. This is a formal shopping mall with a number of concentrated informal traders. Map 4.3 shows the location of the Mdantsane Qumza Highway CBD. On the map, the CBD is located in Mdantsane Unit 2. In this CBD, many informal traders (as shown in map 4.4) sell their goods on the streets, and this CBD is the location of the main taxi rank. The central market here is named after Qumza Highway, the main road that runs through Mdantsane from East London city centre to an industrial area called Fort Jackson.

**Map 4.3– Mdantsane Qumza Highway**



Source: <http://shoprite.mobi/portal>



#### Map 4.4 – Taxi Rank and Informal traders in Mdantsane Qumza Highway



Source: <http://www.investbuffalocity.com/viewgallery.php?id=7>

There is a clear and substantial relationship between the taxi industry and street vendors/traders. More specifically, people who make use of taxis tend to purchase goods (often consumable goods such as fruits) from the street vendors. This is the case in all taxi ranks where street trading exists, such that a wide range of informal traders benefit from taxi passengers who buy from them. For example, the main taxi hub in Mdantsane is located in the Mdantsane CBD and this hub is crowded with traders; other smaller hubs are dispersed throughout Mdantsane but these also have linkages with informal tuck shops and grocery shops. In addition, some of those who make use of the taxis work in the informal economy.

Currently, the BCM seeks to support informal traders in East London/Mdantsane through various programmes. For example, the municipality is involved in training programmes for traders to expand their businesses, and in order to boost the economy of Buffalo City as a whole. This more specifically entails the Hawker Capacity Building and Training Programme, in which, by the year 2010, ninety hawkers had been trained in improving their customer care skills (focusing on communication and marketing) as well as acquiring basic accounting skills. According to a municipal report, such training was meant to promote entrepreneurship and create additional avenues of employment with the aim of ensuring a sustainable, growing and competitive local economy (BCM, 2010).

In order to deal with some of the economic and development challenges faced by the city, and to fulfil its role as a development agent, Buffalo City (like all municipalities) is obligated by law to formulate and adopt an Integrated Development Plan (IDP). This is designed to ensure a more integrated and sustainable approach to development (BCM IDP, 2011–2016). Key pieces of legislation that provide guidance and define the character of IDPs include the previously-mentioned Municipal Systems Act, as well as and the Municipal Finance Management Act of 2003. I outline the details of the IDP system with specific reference to Buffalo City in the following section, and then go on to discuss the Integrated Transport Plan (ITP) which forms an integral part of the IDP. The BCM ITP, as will be highlighted, covers all forms of land transport, namely public transport, walking and cycling, freight transport, roads and, additionally, transport infrastructure (BCM IDP, 2011–2016).

The importance of the extended overview (detailed below) is to provide the backdrop to serious initiatives undertaken by the state to formalise the minibus tax industry, initiatives which seek to properly regulate the industry from the perspective of the state. This formalisation effort, and its character and degree of success, has fundamental implications for processes of formalisation and in-formalisation currently existing in the taxi industry. Full-scale formalisation, as intended by the state, would also and, more specifically, possibly entail changes to labour relations and the labour process within the industry. Though the following discussion does at times reveal a reasonably coherent initiative with respect to public transport, including with specific reference to the BCM, serious problems exist in the implementation of policy.

### **4.3 The Integrated Development Plan**

Central to the IDP is the process through which municipalities prepare a strategic development plan for a prescribed five-year plan. The Constitution of the Republic South Africa (1996), as indicated, establishes developmental duties to be assumed by municipalities. Section 153 of Constitution, in mentioning the developmental duties of municipalities, notes that a municipality must “structure and manage its administration and budgeting and planning processes to give priority to the basic needs of the community, and to promote the social and economic development of the community; and participate in national and provincial development programmes” (The Constitution, Act 108 of 1996:85).

In the same way, the Municipal Systems Act mentions integrated development planning in Chapter 5. As such, the act states that municipal planning must be developmentally-oriented. This means that:

A municipality must undertake developmentally-oriented planning so as to ensure that it strives to achieve the objects of local government set out in section 152 of the Constitution; gives effect to its developmental duties as required by section 153 of the Constitution; and together with other organs of state contribute to the progressive realisation of the fundamental rights contained in sections 4, 25, 26, 27 and 29 of the Constitution (Municipal Systems Act No 32, 2000:36).

The act also prescribes that:

Each municipal council must, within a prescribed period after the start of its elected term, adopt a single, inclusive and strategic plan for the development of the municipality which - links, integrates and co-ordinates plans and takes into account proposals for the development of the municipality: aligns the resources and capacity of the municipality with the implementation of the plan: forms the policy framework and general basis on which annual budget must be based; complies with the provisions of this Chapter; and is compatible with national and provincial development plans and planning requirements binding on the municipality in terms of legislation (Municipal Systems Act No 32, 2000:36).

Basically, an IDP must – among other things – reflect the municipal council’s vision for the long-term development of the municipality with special emphasis on the municipality’s most critical development needs as well as building its own organisational capacity to deliver on this vision.

In this respect, central to the Municipal Finance Management Act is the aim of modernising budget and financial management practices of municipalities by placing local government finances on a solid and long-term footing. Thus it seeks to “put in place a sound financial governance framework by clarifying and separating the roles and responsibilities of the mayor, executive and non-executive councillors and officials” (Municipal Finance Management Act No. 56 of 2003). In this way, it serves to maximise the capacity of municipalities to deliver services to all its residents, customers, users and investors. As noted above, all this legislation provides basic guidelines and directives in crafting and formulating an IDP, which in turn informs the character of an ITP.

The IDP for BCM was first developed and adopted in 2002 as a supposedly strong platform for pursuing and achieving integrated and sustainable development. For instance, one of the areas that were identified with a very high potential for development was the Mount Ruth Nodal Precinct, as a mixed land use node, based on its accessibility to and from the main railway line/station and feeder routes into Mdantsane as well as the fact that it is connected directly to the Mdantsane CBD. Overall, the IDP identifies and describes the significance of development nodes (or local growth points) and, in this context, makes

reference to a range of infrastructure, amenities and services constituting a node: these include public transportation terminals, public facilities, the public spatial environment, housing, and manufacture and retail.

The current IDP runs from 2011 to 2016. With regard to public transportation, which of course is of particular concern to this thesis, an important theme that runs throughout the IDP is the integration of different modes of transportation, particularly public transportation (BCM IDP, 2011-2016). Clearly, then, the IDP is not simply about housing delivery, commercial buildings and industrial sites, though these are critical, but is also about improving the public transport sector and linking this to economic and market activities.

Buffalo City's long-term vision (as found in its current IDP) emerged, at least as claimed, out of an in-depth analysis of the Buffalo City situation and developed, again at least officially, through intensive participatory processes. The municipality claims that, through its IDP, it is addressing three key challenges, as outlined below.

The first challenge is a RDP-style redistributive one in seeking to redress the racial legacies of apartheid. For instance, the IDP is seen as a tool for restructuring the spatial-apartheid land patterns and settlement in South Africa's urban and rural areas, thereby overcoming spatial imbalances and promoting integration of human settlements. It is also a mechanism to promote social democracy, since the planning process is said to be participatory and permits all 'stakeholders' to have a voice in issues affecting their lives (Buffalo City IDP, 2002:6 Chapter 2). In addition, the IDP is supposed to address socio-economic inequalities along racial lines, and attempts to uplift the informal economy (which is dominated by poor blacks). Of particular interest in this regard is the Integrated Transport Plans with specific reference to integrating the taxi industry into the mainstream of economic development and redistribution, as discussed later.

The second and third challenges, which are not directly related to the topic of the thesis, but are of some significance, relate to questions about building local state capacity in delivering on socio-economic development and doing so in a manner based on accountability. Thus, the second challenge is to build a new culture of local governance. The IDP is said to be a means of improving the quality of people's lives through the implementation of integrated and sustainable programmes and projects (BCM IDP, 2011–2016). Most importantly, it is a mechanism to achieve local government transformation. The planning process is meant to determine the strategies and functions that will apparently lead to changes to municipal structures and processes, resulting in a range of operational strategies that are supposed to ensure that the municipality is able to deliver effectively, efficiently and



economically on the development priorities, objectives, strategies, programmes and projects identified in the planning process (Buffalo City IDP, 2002).

The third challenge is fostering co-operative governance. Buffalo City argues that its IDP is intended as a mechanism to align and co-ordinate the plans and activities of the different spheres of government, as well as a mechanism of co-ordination within the local authority itself. The latter purpose is most important, since the IDP informs the basis for engagement between officials, councillors, citizens and other stakeholders, including engagement around such practical concerns as budget allocation (Buffalo City IDP, 2002). Unless the BCM is able to build capacity and to democratise its systems of accountability, any attempt to formally integrate the taxi industry into local development plans and programmes will be hugely problematic. State bureaucratic inefficiencies and unresponsive local state systems will only serve to frustrate and possibly undermine the process of taxi industry formalisation.

The current Buffalo City IDP identifies the following infrastructure, services and facilities as needing urgent attention: housing, community halls, sports facilities, clinics and secondary schools, cemeteries, primary schools, police stations, crime and street lighting, youth and libraries, hospitals, disabled, mobile clinics, roads, water, electricity, public transportation, sewerage, sanitation, access to land, storm-water management, land tenure issues, clean public facilities, telephones and land use (BCM IDP, 2011-2016). Of particular importance to this thesis is public transportation but, given this long list of urgent requirements, the extent to which the BCM is able to prioritise any particular issue (including public transport) seems dubious. I now turn to discussing in some detail the BCM's Integrated Transport Plan.

#### **4.4 BCM Integrated Transport Plan and Public Transport Plan**

The BCM's plans and programmes for transport generally and public transport more specifically is framed in terms of the National Land Transport Transition Act of 2000. This act provides measures necessary for restructuring and transforming South Africa's land transport system. In doing so, it sets out the primary principles of national land transport policy. These include the following:

Public transport services must be affordable to the public and responsive to customer needs. They must be designed to integrate different modes of transport, to be cost efficient, to achieve service quality, to use available resources optimally, to use the most cost-effective modes (bearing in mind customer needs), to give value to the customer, to be safe and to do

the least possible harm to the environment (National Land Transport Transition Act No. 22 of 2000).

It is noticeable that this visionary statement tends to be customer-focused in terms of public transport and does not explicitly articulate the interests of mini bus taxi owners, a point which is manifested in concerns by taxi owners around the taxi recapitalisation process.

In the broad vision underpinning the IDP, Buffalo City claims to chart a new direction for the city “to be a people-centered place of opportunity where the basic [including transport] needs of all are met in a safe, healthy and sustainable environment” (BCM Public Transport Plan, 2006:1). When it comes more specifically to the question of transport, the Integrated Transport Plan aims to achieve “a fully integrated transport system to increase accessibility for all people and giving priority to public transport, non-motorized transport and traffic safety” (BCM IDP, 2011–2016:209). In doing so, it is expected to meet the challenges currently being experienced in the BCM, including unsatisfactory traffic safety conditions as manifested for instance in numerous minibus taxi accidents.

Public transport is a critical and essential element of the BCM’s vision on the transport system as public transport is said to provide the opportunity for all citizens to access the full range of facilities which the city offers, whether work, education, recreation, medical, or social activities. An affordable, convenient, reliable and safe public transport system also, very importantly, plays a critical role with specific reference to the urban poor (notably poor blacks in Mdantsane) who do not have access to private cars for transport purposes. Therefore, public transport is vital for creating valuable linkages of various kinds in Buffalo City. The current taxi industry would be in a strong position, at least it seems, to capitalise on such a far-reaching initiative. This BCM initiative is in line with broader South African state policy.

Indeed, the central state in South Africa plays an absolutely fundamental role in the provision of transport infrastructure and in certain modes of transport, as it argues that no economy can function efficiently without the existence of a proper transport system. In this regard, the National Development Plan (NDP) for 2030, which was released in 2012, states that:

By 2030, investments in the transport sector will ensure that it serves as a key driver in empowering South Africa, enabling: improved access to economic opportunities, social spaces and services by bridging geographical distances affordably, reliably and safely; economic development, by supporting the movement of goods from points of production to where they are consumed, facilitating regional and international trade; greater mobility of

people and goods through transport alternatives that support minimised environmental harm (NDP, 2011:161).

The NDP goes on and mentions that the state acts as capable navigator in this regard. More specifically, this means that the state is prepared to oversee the establishment of an all-inclusive national transport system which addresses national challenges.

However, the NDP does not consider in any significant manner the role that the minibus taxi industry currently plays as a servant for the urban poor. It speaks about rail as the ideal transport for large, uniform freight travelling further than 400 kilometres, yet 89 per cent of all freight (measured by total tonnes) is conveyed by roads. Overall, in fact, the plan is heavily weighted towards the currently formalised transport systems and ongoing integration into the global economy. It does speak of a significant investment that has to be made on public transport in order “to extend bus services, refurbish commuter rail, link high-volume corridor services and integrate all these into an effective service” (NDP, 2011:165). This though seems to entail the prioritisation of rapid – both rail and bus – transport systems (such as in Gauteng) in terms of the concentrated volume of traffic this entails.

There is reference to the minibus taxi industry, but only in passing, and with only a minimal focus on formalisation of the taxi industry. The plan does note that there is a milestone (a dim light seemingly at the end of a tunnel) in formalising the taxi industry (through for the instance the recapitalisation programme) as a more legitimate transport operator. But it also recognises that the Department of Transport still faces serious bottlenecks and challenges in formalising the industry. Such an approach is unlikely to inspire confidence in the taxi industry in terms of the central state commitment to resolving taxi industry problems. A further argument by the NDP may also be viewed similarly. It thus claims that, in order for public transport to be dependable, “authorities will have to create reliable services by placing commuters’ interests above the sectarian concerns of transport providers, while also allowing these services to be economically sustainable businesses” (NDP, 2011:165). Sectarian concerns, for taxi owners, may be considered as in fact legitimate concerns about competitiveness and profit.

In addition to central state initiatives with regard to transport, the BCM (like all municipalities) is expected to work within the context of a Spatial Development Framework (SDF). The Municipal Systems Act states that every municipality is required to formulate a SDF as part of its IDP (BCM IDP, 2011–2016). This is a high-level and integrated plan which speaks to major roads, public transport, pedestrian routes and interchange locations. Further, and more broadly, the development of housing, industry and other land-uses along

major transport corridors is a key strategic priority of the Buffalo City's SDF. In this regard, a key component of the BCM's transport programme (as outlined in its ITP), and read in conjunction with the SDF, is the Mdantsane–East London Corridor, which is a critical corridor in Buffalo City. This of course highlights the potential significance of a minibus taxi industry which works closely with the BCM in establishing an efficient transport system along this corridor.

Officially, the BCM's Integrated Transport Plan – in planning and regulating transport systems locally – is supposed to be in line with the fundamental principles of the NDP and the SDF. The Public Transport Plan is one component of the Integrated Transport Plan, and is a statutory obligation for the Buffalo City Municipality in terms of the National Land Transport Transition Act. As set out and reiterated in each IDP, the BCM Public Transport Plan states that:

These plans need to be prepared within the national and provincial policy framework as set out in their respective White Papers on Transport Policy and the ensuing land transport frameworks. The Public Transport Plan and the Integrated Transport Plan will provide input into the City's IDP in its next review, detailing the programme and projects to be included in the City's development plan (Buffalo City Public Transport Plan, 2006:1).

The integrated and public transport plans form the basis of the transport sector plan of the IDP (BCM, Comprehensive Integrated Transport Plan, 2008 to 2013).

In line with the provisions of the National Land Transport Transition Act, all municipalities are required to produce Integrated Transport Plans (ITPs). The ITP is effectively the transport chapter of BCM's IDP in guiding the city's overall development. These plans are to be used as transport-related service delivery instruments. This means that any transport intervention in the area of jurisdiction of the BCM must be informed by the ITP. As such, ITPs are powerful instruments that can be used by the municipalities in linking transport to broader developmental issues, including poverty reduction. The BCM IDP 2011–2016 therefore states that “the outcome of the ITP is a series of transport projects to be implemented in the five-year period 2008/2009 to 2012/2013” (BCM IDP 2011–2016: 207). Public transport is covered more specifically by the BCM's Public Transport Plan, which is also a requirement of the National Land Transport Transition Act and forms part of the ITP (BCM Public Transport Plan, 2006). The Public Transport Plan (PTP) is supposed to play a vital role in Buffalo City in transforming and improving the public transport network and services; and, indeed, public transport is a crucial element of Buffalo City's vision.

Currently, there are very few formal and scheduled public buses and trains in Buffalo City – as a result, the vast majority of poor black people, including those living in Mdantsane, depend on the minibus taxi industry. In other words, the public transport sector in Buffalo City is dominated by informal public transport operations (minibus taxi industry). All taxi operators in East London/Mdantsane are supposed to be licensed, registered and thereby regulated but, according to the IDP, “due to the inadequate application of law enforcement, illegal operations resulting in oversupply and conflict are endemic in the industry” (BCM IDP, 2011 – 2016:208). Regulation though is the intent with registration and formalisation still underway. In this regard, in an interview, Mr. Pumzile Mayaphi, a Transport Director from the Eastern Cape Department of Roads and Transport stated that:

*The taxi industry is there for people to travel faster and spend less time on the road than they used to in the past in the form of railways. The taxi industry is still belonging to the informal sector, although as the department of transport, we are striving towards formalising this industry, because we have some noble objectives to try and bring the taxi industry into the formal economic sector. The taxi industry carries a lot of people – it is so vital, so critical to the success of this economy. So, you cannot have that type of a sector relegated to informality; but for now the industry has not reached formality (date of interview: 23 January 2013).*

The DoT continues to face the daily challenge of trying to restructure and formalise the public transportation system and specifically the mini taxi industry.

#### **4.5 Public Transport Framework Plan for Mdantsane**

One of the components of the Public Transport Framework Plan for Buffalo City, up until the year 2020, is the Mdantsane Public Transport Framework Plan. This plan is considered as critically significant because most of the public transportation by the minibus taxi industry in the BCM is situated in Mdantsane or moves in and out of Mdantsane. As part of the ITP and IDP for BCM, the plan aims to implement a restructured public transport network for Mdantsane with services planned and administered by BCM (Public Transport Framework Plan for Mdantsane, June 2006). The public transport framework plan for Mdantsane, which was approved by the Buffalo City Council in February 2005, states that:

*Restructuring public transport in Buffalo City and Mdantsane is necessary as it is evident that public transport is currently provided mainly by unscheduled, unregulated minibus-taxi services, which are provided for the minibus-taxi industry’s benefits and not necessarily (as should be the case) the needs of the passengers (Public Transport Framework Plan for Mdantsane, June 2006:1).*

In East London, as in the rest of South Africa, the public transport sector – which as indicated by the quotation is of crucial importance to Mdantsane and other Buffalo City residents – has effectively been given, at least by default, to the minibus taxi industry with no strings attached.

In terms of the National Land Transport Transition Act, the minibus taxi industry in Mdantsane, likewise elsewhere, was to be transformed into an organised transport system which is properly organised (Public Transport Framework Plan for Mdantsane, June 2006). This would entail the legalisation of minibus taxi operators and vehicles, and registration of taxi owner associations, operators and routes. This would also entail the conversion from a radius-based permit system (which means that taxi owners had some kind of permit that was not though specifically route-based, with owners claiming ownership of routes) to a route-based operating license system in order to avoid unnecessary competition and conflict between taxi owners (Public Transport Framework Plan for Mdantsane, June 2006:4). The permit conversion process was thus meant to ensure a violence-free industry, by issuing Operating Licenses changed from radius- to route-based permits. In this regard, taxis would have to be registered with the relevant Taxi Registrar (as discussed in Chapter Five). The public transport plan for Mdantsane indicates that it is necessary for mini bus taxi industry owners to follow this prescribed process of formalisation if they are to be incorporated into the restructured public transport system.

The plan goes on to speak about addressing problems existing in the local mini taxi industry. In this respect, it claims that “if no action is taken, the minibus-taxi system in Buffalo City will continue to deteriorate” (Public Transport Framework Plan for Mdantsane, June 2006:1), but it does not give specific and concise reasons why this could be the case. It speaks though of the BCM’s intention to transform the public transport network through the introduction of better rail services and by buses, and this is a critical point, operating along fixed routes according to scheduled services. The flexible service offered by mini buses is seen as problematic in this context. As a result, it mentions that “over time, minibus-taxi services will be phased out altogether as the system becomes better planned and regulated” (2006:1). This does not imply the end of mini buses (of whatever size), but it does clearly articulate the drive to register and regulate the industry through the state.

‘Phasing out’ of the taxi industry, or at least restructuring it, is problematic for two key reasons. First of all, it ignores the crucial and convenient role that the industry continues to play as a servant for the urban poor; and, secondly, it downplays the importance of entrepreneurship in the industry (as part of the informal sector). It comes as no surprise, then,

that the implementation of the Taxi Recapitalisation Programme, which is central to the state-driven formalisation process, has been fraught with resistance from key segments of the industry and that serious disagreements exist between taxi owners as to the nature that recapitalisation should take. The current formalisation process will likely continue to face challenges as long as it remains as a top-down process (or at least takes the appearance of a top-down process) which does not consider in a participatory manner the needs and interests of taxi owners.

Though on paper the formalisation process is supposed to be participatory, the process as it stands tends to exclude participation by some relevant stakeholders in the industry. Taxi owners and operators are being consulted, but the process seems to be engaging primarily if not exclusively with SANTACO, which many taxi operators – certainly in Mdantsane – claim does not represent them. A number of concerns are expressed by Mdantsane taxi owners.

One taxi operator interviewed in the East London Taxi Association (ELTA) stated that “*the current formalisation/recapitalisation programme is not successful, because it is not developing the industry. We are against it, for it is just a way in which the government seems to be taking our business away from us*” (date of interview: 29 January 2013). This, at least in part, refers to the emphasis given by the state, in restructuring the public transport network, on rapid bus transport as a performance-driven mode of transport compared to the inefficiencies and disarray of the minibus industry. There is a real concern amongst taxi owners in Mdantsane that this taking away of business may not simply involve a reduction in the scale of the minibus industry but that it may lead to the eventual collapse of the industry and thus to their total economic marginalisation.

Another concern relates specifically to the question of state financial support, including state subsidies for the public transport system broadly and state financing under the recapitalisation programme. The National Land Transport Transition Act speaks of the need for state subsidies to be directed at assisting marginalised users with respect to lowering the costs of public transport services. Mr Mayaphi from the Eastern Cape Department of Roads and Transport notes though in relation to BCM that “*government does assist the [taxi] industry for it to push some aspect of transformation, for instance, customer care, and good driver behaviour*”, but “*currently the government does not subsidise the taxi industry*” (date of interview: 23 January 2013). With reference to the recapitalisation programme, the state only provides taxi owners with deposits for new minibuses; at the same time, the minibus industry has not received government subsidies to increase the viability of the industry. In this respect, one taxi owner in Mdantsane had this to say:

*The taxi recapitalisation programme is killing the taxi industry. We are the only transport business that is not getting subsidy from government. Even when it comes to the TRP itself, the government only gives you deposit. We have been talking with the government, asking for subsidies, but the government required that we have to formalise business first. There has been a requirement that we have to form “co-operatives”, for the government to give us a subsidy. But, the way in which this comes to us does not come in a direct way from government. Even, ELTA itself has been a registered co-operative since 2007, but there has not been a subsidy. There are no workshops of the way in which they have to form these co-operatives (date of interview: 21 January 2013).*

This quotation certainly details the complexity of the formalisation process from the perspective of taxi owners, as there seem to be different layers and forms of formalisation which either taxi owners do not fully understand and fail to negotiate or real practical hindrances emanating from state incapacity in facilitating formalisation.

A further concern relates to the introduction of an alternative bus system for Mdantsane. In this respect, the BCM is determined to introduce a Bus Rapid Transport (BRT) system in East London. The BRT system is, broadly, a bus-based mass transit system. This system is being introduced in South Africa and “as a potentially effective way of delivering greatly improved public transport services to marginalised urban communities and thereby reducing exclusion-related poverty” (Vaz and Venter, 2012:619). The argument by the BCM is that Mdantsane residents would benefit immensely from the proposed system. The BCM Programmes Manager for public transport services, John Davies, maintains that “the BRT, which forms part of a National Department of Transport initiative, is definitely needed to move the large number of commuters who travel between Mdantsane and the East London CBD daily” (BCM Ward Update, November 2010–January 2011:4). Given that Mdantsane is one of the biggest townships in South Africa, the BCM claims that bigger vehicles (bigger than mini buses) are need to transport the vast and growing number of people travelling between Mdantsane and the East London city centre. This system was to be implemented in BCM in 2011 but it has never materialised.

Davies further notes that there would be approximately thirty stations between two main terminals, which would be at the Highway taxi rank in Mdantsane and Gilwell Street in the East London CBD. Currently, these areas are both used as ranks for the minibus taxi industry. As such, it is not clear what will happen to the taxi industry when once this major development is completed, which only serves to complicate the formalisation process and cause agitation amongst taxi owners. The BCM claims that the municipality would consider



incorporating the taxi owners into the management of the BRT, which could potentially and eventually lead to these taxi owners owning the buses; but the extent of the transition from taxi owner to bus owner seems minimal, and the transition does not speak to the consequences for the thousands of current employees of taxi owners in and around Mdantsane. In this context, Mr. Sinana of SATAWU notes that “*there is a lot of work to be done to convince the taxi owners and drivers in order to promote the industry as a thriving formal business*” (date of interview: 28 January 2013). In the end, Bongani Kota (a National Secretary for the Taxi Sector in SATAWU in the Eastern Cape) – as a way forward – argued that “*there needs to be a clear feasible study whereby operators in the minibus taxi industry can be convinced of where we really want to go in terms of formalising the public transport sector*” (date of interview: 28 January 2013).

A final concern about formalisation under the guidance of the state is that the state, insofar as it has already sought to formalise the industry, has shown high levels of incapacity. Thus, further incorporating the minibus taxi industry under the wing of the state, when the state already shows significant capacity deficiencies, only serves to heighten the anxiety of taxi owners. Boudreaux (2006:31) highlights some of these capacity problems when he refers “the absence of recognition of the taxi associations’ enforcement of route and rank access; a culture of official corruption; [and] a serious problem of inadequate law enforcement.” My fieldwork in Mdantsane brought to the fore these problems particularly in relation to route and rank access. Interestingly, Boudreaux also speaks of the restrictive labour laws which inhibit profit maximisation for small businesses like taxi owners, but state incapacity (with respect to the Department of Labour) in inspecting taxi operations is largely welcomed by taxi owners.

Overall, though, because of these and other concerns, taxi owners in Mdantsane tend to be against the formalisation process. For example, Ntando (as taxi owner) noted that:

*The taxi recapitalisation is a taboo; it will never succeed – taxi industry is an independent industry, and has different associations and different leaderships. We are independent and, the government has not been treating us well, making decisions on our behalf. We will not allow the government to play any role in the taxi industry because the government is concerned with taking control of the industry* (date of interview: 25 January 2013).

In the same way, one taxi driver from the Mdantsane East London Taxi Association (MELTA) argued that “*formalisation process or no formalisation, but the point is ‘hands off our bread!’ The taxi industry is our business, so government should just leave us alone because we will never have anything to do with government*”. The tone of these quotations

embodies a sense of anger amongst taxi drivers with the way in which government is acting with regard the formalisation process. But this anger is not simply directed at the implementation style of the state, as it clearly expresses more fundamental questions about the principles underlying formalisation and the perceived interference this involves in entrepreneurial activity.

The minibus taxi industry continues to be the critical pillar of Mdantsane's public transport sector. Though the BCM (as framed in terms of both national and local legislation, plans and directives) recognises this and is engaging in a process of formalisation to enhance the quality of the public transport system, taxi owners in Mdantsane raise serious concerns about this restructuring as it is seen as undermining their livelihoods. Taxi owners in Mdantsane insist that their operations are not only the most available mode of transport but are the most convenient and affordable to the public. They see themselves as performing a public function and as acting as the servant for the majority of urban poor. Despite this fact, the minibus taxi industry appears as a site of conflict, a point I discuss in the following section.

#### **4.6 Minibus taxi industry: site of conflict**

The minibus industry continues to be a site of conflict: between the state and taxi owners and, as discussed in the following chapter, between taxi owners. Processes of formalisation are the direct cause of the first set of conflict; but concerns over formalisation, and different levels of formalisation within the taxi industry, also spur on conflict within the industry between owners.

In particular, there is often intra-industry conflict between those who have Operating Licenses to operate as public transporters and those who do not. For example, there is a case that those without operating licenses tend to compete with those with operating licenses. One example is the case of George (an owner-operator) who I met during my research. He was driving an Avanza from Mdantsane Sasol to King William's Town without an operating permit and highlighted the serious problems in applying for and being granted a license. Based on his reflections, and his long-term status as an unemployed worker, it is clear that his entry into the taxi industry emanated from what the Congress of South African Trade Union calls the triple challenges of unemployment, poverty and inequality. In this regard, Bongani (a taxi driver from MELTA) had this to say:

*These Avanzas are really making our business difficult. They are taking passengers away from us. They are not even authorised to operate as public transports (date of interview 19 January 2013).*

Clearly the ‘drive to survive’ so to speak, in the context of pressures to conform to processes of formalisation and regulation, places intense pressure on both owners and employees in the taxi industry.

The taxi industry in Mdantsane continues to provide linkages between the formal and informal economies, and has multiple benefits for owners and workers within the taxi industry, as well as passengers. In an important sense, it is a product of the historical legacy of apartheid and the construction of dormitory towns in Bantustans close to so-called white South Africa. Thus, it is a vivid reminder of the South African landscape which was deliberately designed to keep poor blacks far away from the urban core but not too far away for work purposes. That history is etched in the taxi industry in Mdantsane, which continues to serve as a link or bridge between the urban periphery and the city centre. Given this, one of the interviewed taxi owners in MELTA stated that:

*We need to recognise that in East London, the majority of the population in the urban areas tends to be poor and located far from the urban core where most economic opportunities tend to be located. Given this fact, the government should consider the fact that we continue to serve such people; people who have been marginalised for so long. These are the people for whom getting access to the city centres has been a dream for so long (date of interview: 20 January 2013).*

The problem raised by the taxi owners in Mdanstane is the concern that, particularly with the rapid transit system between Mdantsane and East London (but also more broadly in relation to formalisation), the taxi industry will be undermined and will rapidly go into decline. For taxi owners, in seeing the taxi industry as a critical part of the public transport system in the future, the industry should be incorporated as a complementary mode of transport in the corridor designs for Mdantsane-East London.

Mokonyana (2008: 11) writes that “when properly designed, such [corridor] developments maximise access by the poorer members of [South African] society to economic opportunities at minimum generalised costs of travel”. This strategy has been implemented in Johannesburg (for example the “Rea Vaya Bus Rapid Transit Initiative”) and in Cape Town (for example, the “Klipfontein Corridor”), but not including minibuses, while other cities are planning to do the same. As indicated, East London and Buffalo City at large is still in the process of planning to introduce and implement such an initiative. Such

initiatives, in possibly incorporating the minibus taxi industry as a legitimate partner and by necessity entailing some form and level of formalisation, would not be ruled out *a priori* by Mdantsane taxi owners. Transforming the minibus taxi industry into a thriving formal mode of public transport, in itself, may not be the problem. It is when the state sees the minibus industry as a competitor to other forms of public transport rather than a counterpart, that the taxi owners raise doubts about formalisation. Taxi owners seem to be nervous about losing their hard-won gains without state support, and this leads to conflict over formalisation. Thus, one of the taxi owners interviewed emphasised that:

*As a taxi industry, we provide wide coverage across East London, often serving poor areas that get no other service. The South African public transportation system represents a model of successful black economic self-empowerment, and yet it remains situated in the informal sector and not subsidised by the government. It remains the only sector where black people control an entire sector through their ownership of the taxi mode of transportation (date of interview: 8 February 2013).*

Clearly there is a long way to go still for the state, including the local state (BCM), to be in a position to firmly convince taxi owners of the benefits of all dimensions of formalisation. It is likely that the minibus taxi industry will remain a site of conflict, vis-à-vis the state, for some time.

It should not be ignored that the minibus industry developed in a racially-discriminatory environment where laws restricted independent black economic activity. This historical context in which the minibus taxi industry developed is essential to understanding the position of taxi owners' vis-à-vis the necessity for state intervention, as autonomy and independence of the industry provided the basis for entrepreneurial enterprises.

#### **4.7 Conclusion**

As a matter of fact, the minibus taxi industry in East London and South Africa at large remains very important. It has – to a large extent – empowered many black South Africans from ELTA, MELTA, MUTA, passengers, and other departments, providing countless jobs, and helping commuters to go to work, school more efficiently. However, despite this fact, the industry continues to face a challenge with regards to customer/passenger safety. Admittedly, the industry continues to provide one important means to alleviate poverty in black South African communities such as Mdantsane in East London.

This chapter has sought to analyse the broad formalisation process of the public transport sector, and to critically engage with the role that the minibus taxi industry, and

public transport at large, continues to play in the broader East London, and Buffalo City economy. The IDP, ITP, BCM ITP and PTP and Public Transport Framework Plan for Mdantsane have been considered as attempts at formalisation of the taxi industry. However, despite the attempts to formalise the industry, it remains a site of conflict between the state and taxi owners and, on the other hand, between taxi drivers. The minibus taxi industry continues to play a leading role in the public transport sector, transporting up to 75% of the Mdantsane community to their destinations. The industry is praised with empowering black South Africans at a time when few opportunities existed for economic empowerment.

## **Chapter Five:**

### **Work within the Minibus Taxi Industry in East London – A Decentralised Labour Process**

#### **5.1 Introduction**

This chapter considers the nature of work within the minibus taxi industry in East London. In other words, it focuses on formalisation process with regard to the labour issues. This industry continues to play a leading role in the public transport sector. In particular, it questions the labour process within the minibus taxi industry as *decentralised*. Being decentralised broadly refers to the fact that there is no central management control within the workplace in the industry. The nature of work within the industry is very complicated; it is not easy to understand. This chapter is divided into four main sections – the first section contextualises the minibus taxi industry in East London. This section will briefly consider the number of minibus taxis in East London, and the Buffalo City Metro Municipality at large. The second section discusses the minibus taxi industry. A third section considers the nature of work within the industry, paying particular attention to questions of a decentralised labour process. This also contrasts commission work which plays a vital role in the labour process within the industry – with Sectoral Determination (SD) which is being enforced by the Department of Labour (DoL). There seems to be contradictions between the two on how the labour process is to be organised. This section also discusses the challenges that trade unions such as South African Transport and Allied Workers Union (SATAWU) continues to face in organising the unorganised workers, such as taxi drivers within the minibus taxi industry. A fourth section questions whether the minibus taxi industry is reproducing informality in the nature of work.

#### **5.2 Contextualising the minibus taxi industry in East London**

Today, the minibus taxi industry remains part of the informal economy in East London, although there is some unevenness in this regard. Some taxi owners have registered their business operations and have operating licenses, while others have not and fall more squarely within the informal economy. Irrespective though of the existence of formal registration or not, workers throughout the taxi industry in East London are subject to contractual arrangements and working conditions of the kind regularly found within the informal

economy in South Africa more broadly, and this is despite the existence of labour legislation applicable to the taxi industry. In this sense, in terms of a notion of informality linked specifically to questions around labour, the taxi industry has a condition of marked informality (as discussed later). The East London taxi industry is not exceptional vis-à-vis the industry elsewhere in South Africa.

Indeed, it is worth mentioning that the history and structure of the taxi industry in East London is not very different to other regions or cities in the country and their operations as a mode of public transport are similar to other cities. Thus, the Eastern Cape Department of Roads and Transport (ECDoR&T) indicated that it would be difficult to confine their comments to East London when considering the history and character of the minibus taxi industry. For example, Mr. Pumzile Mayaphi, a Transport Director for the Eastern Cape Department of Roads and Transport, stated that:

*If you allow me, I would like to consider the bigger picture of the taxi industry. The taxi industry is there for people to travel faster and spend less time on the road than they used to in the past in the form of railways. The taxi industry consists of minibuses, dominating 90% of the market, and metered taxis active in the remaining 10% of the market (Date of interview: 23 January 2013).*

Like elsewhere in South Africa, there are registered taxi associations in Mdantsane/East London to which taxi owners are affiliated. In East London/Mdantsane there are five registered associations: East London and Districts Taxi Association (not affiliated to any broader association); East London Taxi Association, Mdantsane East London and Districts Taxi Association, and Mdantsane Uncedo Service Taxi Association (all three of these associations are affiliates of Uncedo Service Taxi Association); and, finally, Mdantsane East London Taxi Association (affiliated to the Border Alliance) (ECDoR&T, 2013). My fieldwork interviews were conducted mostly with the East London Taxi Association, Mdantsane East London Taxi Association, and Mdantsane Uncedo Taxi Association.

A brief general background of the Eastern Cape taxi associations reveals that before 1996 there was no legislation in place to properly regulate the taxi industry at local and district levels and, simultaneously, high levels of taxi violence were experienced. In 1996, offices of Taxi Registrars and offices of Operating Licencing Transportation Boards were established in all the provinces of South Africa. In the Eastern Cape there is only one office of the Taxi Registrar and it is located in East London. There are six Operating Licencing Transportation Boards, in the following areas: Cacadu District in Port Elizabeth; Amatole District in East London; OR Tambo District in Umtata; Chris Hani District in Queenstown;

Joe Gqabi District in Aliwal North; and Alfred Ndzo District in Mount Ayliff (XN Nkomo, Office of Taxi Registrar, ECDoR&T, 2013).

**Box 5.1: Taxi industry details for the East London taxi associations**

Association Name	Registration Status	Active Members	Inactive Members	Active Members with Permits/OLs	Active members without Permits/OLs	Inactive Members with Permits/OLs	Vehicles	Vehicles with Active Permits/OLs	Vehicles without Active Permits/OLs
East London District Taxi Association	Provisionally Registered (Section 56.1)	346	85	32	314	0	302	37	265
East London Taxi Association	Provisionally Registered (Section 56.1)	782	69	128	654	4	742	153	589
Mdantsane East London and Districts Taxi Association	Provisionally Registered (Section 56.1)	1272	172	310	962	1	1380	367	1013
Mdantsane East London Taxi Association	Provisionally Registered (Section 56.1)	195	50	48	147	3	269	88	181
Mdantsane Uncedo Service Taxi Association	Provisionally Registered (Section 56.1)	477	57	68	409	1	567	75	492
<b>Totals for Associations</b>		<b>3072</b>	<b>433</b>	<b>586</b>	<b>2486</b>	<b>9</b>	<b>3260</b>	<b>720</b>	<b>2540</b>

Source: Office of the Taxi Registrar, East London.



The office of the Taxi Registrar is responsible for registering taxi associations, as well as registering their members and vehicles, and it is expected to monitor compliance to taxi regulations such as ensuring that taxis have Operating Licences (OLs). In this respect, a report from the Taxi Registrar released on 25<sup>th</sup> January 2013 provided the following details on taxi associations, as presented in Box 5.1. These details refer to membership and registration of taxi associations in East London.

There are five taxi associations in East London. All five taxi associations are provisionally registered in the stage of registration known as “Section 56.1” and they have 3072 active members (taxi owners) in total. Explaining what ‘provisionally registered (section 56.1)’ means, Mr. Xolisa Nkomo, a Taxi Registrar from East London, notes the following:

*Registration of Taxi Associations and their members is categorized into three stages of registration status i.e. Provincially Registered; Provincially Registered (section 56.1) and Fully Registered. Currently associations and their members are registered under Provincially Registered (section 56.1). That is due to the fact that they don't yet meet all the required requirements for registration to be changed to Fully Registered status, such that all their members are having their vehicles captured under their names and that those vehicles are linked with operating licences (permits) (E-mail from Mr. Xolisa Nkomo, Office of Taxi Registrar, ECDOR&T, 19 September 2013)*

In addition to having a significant number of inactive members, it is clear from Box 5.1 that there is a large number of active members in the taxi associations without permits and operating licenses and vehicles without active permits and operating licenses.

To elaborate on the distinction made in Chapter Four between permits and OLs, since the deregulation of the taxi industry in the 1970s, the industry always had some kind of permit system but this was not originally route-based. Because of this, the taxi industry was marked by intense competition over routes and significant taxi violence. With the birth of the new democratic South Africa, all taxi operators were required to be registered with the relevant Taxi Registrar and to acquire Operating Licenses that are to a large extent route-based, so as to avoid conflicts and violence within the taxi industry.

Reading from the box above, it can be seen that there are: active members of the taxi associations, most of who do not have permits or licenses; and inactive members, nearly all of whom do not have permits or licenses. For the East London/Mdantsane taxi associations, there are 433 inactive members without permits/PLs; 586 active members with permits/OLs; 2486 active members without permits/OLs; and 9 inactive members with permits/OLs. Mr.

Nkomo outlines the complexities of active and inactive members vis-à-vis permits and licenses as follows:

*An active member is a registered member under a registered association and possessing valid operating licence (permit). An inactive member is just a registered member with no valid operating licence or permit. An inactive member could also be a registered member under the registered association with or without operating licences but became non-operational or absconded from the association. It is also known that associations have non-registered members with no operating licences/permits but some of them have vehicles and are operating in their taxi ranks (E-mail from Mr. Xolisa Nkomo, Office of Taxi Registrar, ECDoR&T, 19 September 2013).*

The claim that active members necessarily have permits/licenses goes contrary to the statistics presented in Box 5.1 and points to the existence of significant below-the-radar informality in the industry. Furthermore, the point that associations could have non-registered members with no operating licenses but with vehicles and operating at taxi ranks seems to point to the existence of outright illegality in the minibus taxi industry. These are not legal operators given that they are not registered and do not possess permits/OLs. This could be a source of possible tax violence as these non-registered members compete with the registered members over routes.

All five taxi associations that appear in the box above operate between Mdantsane and East London (and beyond) and they only differ with regard to their taxi ranks and route descriptions. As such, Mr. Nkomo states that:

*Route description of every association defines point of departure and destinations. East London District Taxi Association; East London Taxi Association; Mdantsane East London and Districts Taxi Associations all have their taxi ranks in East London, meaning that their point of departure in their route descriptions should be East London. Mdantsane Uncedo Service Taxi Association, Mdantsane East London Taxi Association have their taxi ranks in Mdantsane and their point A is in Mdantsane (Email from Mr. Xolisa Nkomo, Office of Taxi Registrar, ECDoR&T, 19 September 2013).*

Taxi associations apply for their routes to the Office of the Taxi Registrar. Once routes are approved, members of a particular association must operate within the designated route network. In addition, operating licenses when issued to taxi owners of a particular association clearly specify a particular route or routes within the broader network. This is attached as an annexure to the operating licence and must be carried within the minibus at all times.

The sheer number of members of these five taxi associations shows the significance of the minibus taxi industry in East London/Mdantsane to the public transport system. But

though the department of transport is making efforts to ensure that all taxi operators are registered and have permits and operating licenses, there are those who operate outside the parameters of officialdom. Indeed, it seems that significant inactivity (in the form of inactive members, who may indeed be operating nevertheless outside the association) as well as the numerous active members operating without permits and operating licenses, speaks to the existence of informality or the intention on the part of many taxi owners to be or remain informal. In this sense, many taxi owners prefer not to fall under the ambit of governmental regulation – including labour regulations as discussed later – that is so central to the formalisation process.

As an industry that continues to play a leading role in the public transport sector in East London, the minibus taxi industry is of great importance as a servant for the urban poor and an example of entrepreneurship and employment creation, which I now examine more fully.

### **5.3 Minibus taxi industry in East London: A servant for the urban poor**

Considering the fact that a majority of the urban black South African population are poor and depend on public transport, the minibus taxi industry – as part of the informal economy – plays a significant role in the South African economy. The industry has empowered a small but significant number of black South Africans as entrepreneurs given the problems in entering the formal economy (Boudreaux, 2006). Though economically marginalised from the mainstream formalised public transport economy, the mini bus taxi industry has proven to be the biggest player in public transportation. Beyond the private gain they receive from the generation of income through their operations, mini bus taxi owners depict themselves as public servants by generating employment (for example, taxi drivers) and ensuring relatively inexpensive transport for the urban poor. The availability of the mini taxi service in Mdantsane is, for many who work outside Mdantsane, the difference between maintaining their employment or failing to secure employment in the first place (or even being dismissed for failing to attend work). The industry as well has improved the quality of life for urban poor in East London and surrounding areas by lessening the time spent commuting.

Formalisation is seen as tampering with this public endeavour and an unnecessary intrusion. In this context, Mr. Honest Sinana from the South African Transport and Allied Workers Union (SATAWU) in East London noted that:

*The minibus taxi industry remains a popular form of public transport for many people in East London. It is therefore a critical pillar of our public transport sector. Not only are taxis*

*competing among themselves, but their livelihoods are also threatened by those that do not have Operating Licenses. On the basis of serving commuters, the industry is 75% of other modes of transport that are assisting commuters. But, the major problem being raised by taxi owners are standard rules that are regulating them* (date of interview: 28 January 2013).

Today, the mini bus industry continues to provide a vital service to millions of South Africans and is accordingly rightfully considered a servant for the urban poor, as well as generating income and wages for taxi owners and workers in the industry. Thus, the industry provides a degree of social and economic stability for the ‘underclass’ (Seekings and Natrass, 2005) of urban black society; while also enriching the more successful taxi entrepreneurs. This of course does not deny the fact that, as I show later in this chapter, workers in the taxi industry are subjected to conditions of work which may be labelled as fundamentally ‘indecent’ and hence that the taxi owners, insofar as they are resisting formalisation, are defending – though perhaps not overtly – a condition of informalised labour.

Nevertheless, the branch secretary for the Mdantsane Uncedo Taxi Association (MUTA), Vuyisile Krakra highlights the public good emanating from the minibus industry:

*The taxi industry thus plays a major role in rescuing these urban marginalised poor from such poverty traps. For example, the industry employs people such as drivers, cooking ladies at the ranks, car washers, and mechanics. Taxi ranks and transition points have also created central points for marketplaces of goods and services. Taxi ranks also serve as a profitable location for hawkers, food stands and other small informal retail business. In short, taxi owners, drivers, mechanics, hawkers, and others depend upon this industry to support themselves and their families* (date of interview: 21 January 2013).

The industry therefore plays a critical role in providing a source of employment, no matter, how, informal, insecure or marginal, in a range of work positions. This is made abundantly clear by workers in the Mdantsane taxi industry. For example, a taxi driver (Luyanda) had this to say: *“I started working in the taxi industry from September 2011 because someone needed a driver and, I was available. I am a member of Mdantsane East London Taxi Association. I joined the industry because I needed money for food, and I was unemployed”* (date of interview: 31 January 2013).

Most of the participants in this study stated that the industry creates employment for significant numbers of people. For example, one taxi owner had this to say:

*We employ a lot of people in the industry, from taxi drivers, cooking ladies at the ranks, car washers, and mechanics. Given this, the industry plays a major role in employment creation.*

*Even though the industry provides employment to most people, we continue facing the challenge of not being subsidised by government (date of interview: 25 January 2013).*

The minibus taxi industry clearly contributes to economic growth and helps to lessen poverty in East London and South Africa at large. As outlined in the above quotation, the industry provides opportunities for both self-employment and employment of other people. Taxi employment, particularly as taxi drivers, is arduous work but in a country with such high unemployment rates, even tough jobs are welcome. The industry has also been praised as a centre for entrepreneurship.

The existing literature on the taxi industry in South Africa though does not have a sustained focus on the relationship between taxi entrepreneurship and addressing poverty. The industry plays a significant role as a source of employment and as a stepping stone in improving the lives of many poor black people in South Africa. Entrepreneurship is central here, as it plays a very important role in economic development. Boudreaux (2006:3) therefore states that “entrepreneurial activity creates wealth; higher levels of entrepreneurship in a society lead to increases in GDP, societal wealth, and quality life”.

An increasing number of black South African entrepreneurs recognise, given the strong demand for transportation in East London and the surrounding areas, the scope for revenue-generation in the taxi industry. They are familiar with the fact that the vast majority of people in Buffalo City are very dependent on their industry; and, as such, they are creating public value for other black South Africans in Mdantsane and other areas, who want a suitable transportation alternative.

An example of entrepreneurship is evidenced from one taxi owner who joined the taxi industry in 1990, and became a member of MELTA. He joined the industry because he was unemployed, and saw a business opportunity, though violence was stiff in the industry. He had this to say: *“I decided to join the industry because I saw an opportunity for business. I started driving on my own, and as time went by I employed two taxi drivers. One of the drivers has been with me since 2006”* (date of interview: 20 January 2013). As pioneers in the black minibus taxi industry, many taxi owners in East London (like the MELTA member) consider themselves as paving the way for other black entrepreneurs to enter the informal economy. For example, most informal traders, or small businesses that are run by black people, congregate around taxi ranks. This means then that taxi ranks serve as profitable sites for hawkers, food stands, and other small informal retail businesses. All these informal traders depend fundamentally on the minibus taxi industry for their survival.

The ever-present taxi ranks along Mdantsane Qumza Highway, and throughout East

London, are literally life-lines of commerce and communication. Through observation during my fieldwork, it is clear that the Mdantsane Qumza Highway taxi rank in particular – which is a central taxi rank to East London – is a thriving, spontaneous market place. A large number of taxis that travel around Mdantsane Qumza Township come through this particular rank each day loaded with passengers. Informal sector entrepreneurs have been quick to take advantage of this hive of activity. More so than other taxi ranks, an increasing number of informal traders come to do business each day at Mdantsane Qumza Highway rank, including individuals selling fruits, clothes and gifts; phone cards, as well as those making hot meals, and even makeshift barber shops. Locating an informal business in a taxi rank as busy as the Mdantsane Qumza Highway rank ensures that thousands of potential customers a day see your goods.

Despite the seeming progressive contribution of the minibus taxi industry to the economy and to the lives of owners, employees, passengers and informal traders, the industry is fraught with problems with respect to labour relations. In large part, this arises from the intense competition within the industry in the face of top-down processes of formalisation. In this respect, Andile (a taxi driver from MELTA) noted that:

*Though the taxi industry creates employment for a majority of people in Mdantsane, doing business in the industry is not guaranteed – it is not a business that you can rely on. Doing business in the taxi industry is ‘win and lose’ given that there are many competing taxi operators (date of interview: 01 February 2013).*

The problem though stems back to the 1980s with the opening up of the public transport system to blacks. This led to increasing numbers of minibus taxis on the roads, and more and more owners and drivers competing for passengers. In this context, property rights over routes are highly contested which often leads to considerable violence. In particular, as indicated in Chapter Four under “site of conflict”, taxi owners with licenses continue to contest over routes with those who are not authorised to officially operate as public transporters. Owners wish to maximise revenue and profits in a cut-throat industry while employees – notably drivers – may be prepared to accept unfavourable conditions of employment given the existence of structural unemployment in the country. In this context, I now turn to the question of the labour process (and labour relations in the East London/Mdantsane minibus industry).

#### **5.4 The nature of work: A decentralised labour process within the taxi industry**

The way in which work is organised in the industry is very complicated and is negotiated between taxi owner and taxi driver in a de-centralised and fluid manner. In the end, the work of taxi drivers in the minibus industry is considerably less structured and tightly controlled than that of workers within the formalised public transport such as trains and buses.

Taxi owners join taxi associations and employ drivers to drive their taxis. Taxi associations though have no control over how taxi owners, as members of their associations, operate their business. They therefore have no input into the employment relations entered into by their members. For example, Mr. Honest Sinana, a branch secretary of the Mdantsane Uncedo Taxi Association, noted: “*As an association, we really have no say on how the taxi owners run their business. I do not know how each taxi owner agrees with the taxi driver on terms of employment. It is an individual employer/taxi owner who employs someone wherever he employs them*” (date of interview: 21 January 2013). The associations however are responsible for the employment of office administrators as well as taxi marshals based at major taxi ranks on routes operated by a particular association (the latter’s minimum wage is currently R1,969 per month). The main role of the taxi associations is merely to represent their members when the government seeks to consult the taxi industry.

Mr. Sinana from the South African Transport and Allied Workers Union (SATAWU) in East London argues that, in terms of labour relations, “*the industry is very dynamic and not easy to understand ... Minibus taxis in East London, as other parts of South Africa, are individually owned or operated and each vehicle is a profit-centre*” (date of interview: 04 February 2013). As a profit-centre, each taxi is seen as the basis for accumulating revenue and wealth for the owner, and this regularly implies cutting or limiting expenditures and costs (including labour costs). For this reason, taxi operators do not regularly abide by labour regulations.

This feeds into and gives shape to the very character of work in the minibus industry, For example, many drivers who work in the industry face a dilemma: the need to travel as fast as they can to fit in as many trips as possible in a day because of targets set by the owner and to maximise their commission-based income (see below), which at the same time raises the possibility of being caught for speeding by the police and thereby receiving a traffic fine (which the driver will likely have to cover). Because there are so many potential taxi drivers available at the drop of a hat (including some with no driving licenses) in the face of high unemployment levels, owners are largely unsympathetic towards drivers who complain about such problems. This flexibility facilitates the in-formalisation of labour within the taxi

industry and inhibits the application of labour legislation therein, including the lack of employment contracts between the driver and the taxi owner.

Taxi drivers regularly push themselves to work maximum hours (well beyond any standard working week, such as forty hours), and the number of hours worked varies considerably day to day. This makes it difficult for the Department of Labour to enforce minimum wages based on regular adherence to standard work hours. Taxi drivers are mainly paid on commission – for example, some taxi owners pay drivers 25% of the money they make per day or week. In addition, at times, taxi owners claim that they are not employers in the strict sense as they are merely working with family members (including brothers, as drivers).

An interview with the taxi owner from the East London Taxi Association revealed the following:

*Taxi drivers do not have contracts of employment with their employers. The taxi drivers work very unusual hours. There are cases where the driver uses the taxi to attend his own business without the consent of the owner. We don't have ways in which they can deal with such problems. We do have employment-linked benefits for taxi marshals and administrators, but this is a different case for taxi drivers (date of interview: 11 February 2013).*

Reading from the above quotation, the minibus taxis' modus operandi appears as unstructured and decentralised, with the taxi operators having more in common with the roadside hawker than with formal subsidised buses in which there may be formalised hierarchal controls. This means that there is no centralised management or power centre under which taxi drivers fall in a systematic and structured manner; control is indirect rather than direct. In the taxi industry, the owner and driver almost act as free agents independently of one another. Hence, the taxi driver makes decisions on a daily and on-the-spot basis as to how he is going to function so as to make the most money, within the broad parameters set by the route system and the taxi owner. The taxi owner expects the driver to generate as much revenue as he can. Working free of direct supervision, drivers may break for a meal or a rest whenever their vehicle is unoccupied.

The labour process within the taxi industry is what I would call “a decentralised labour process”, with no clearly-demarcated employer-employee relationship based on firm managerial controls and where the employee has a significant degree of autonomy in the work design. In contrast to this, a centralised labour process would be where there is clear managerial control and well-defined parameters to the employer-employee relationship. This is not the case in the minibus taxi industry as control is dispersed across taxi owners and



drivers and is in large part in-formalised. This also impacts on the conditions of employment for notably taxi drivers, as noted now.

Taxi drivers in the industry compete for passengers. Plus drivers are not permanent in the taxi industry – as a result it is very difficult for Department of Labour (DoL) inspectors to enforce the Sectoral Determination for the Taxi. Taxi owners also complain that drivers steal money from them – and so, it is difficult for them to abide by the regulations in terms of stipulated wage levels. But the DoL does seek to challenge the way work is organised in the industry, organising workshops with the relevant stakeholders in the industry and inspecting the nature of work. Clearly, though, the industry does not comply with the Sectoral Determination, given for instance that drivers do not work a maximum of 48 hours as the relevant provisions require. When labour inspectors are sent out in the field to the industry, and this is not very often, taxi owners and drivers tend to be very rude to them. Sometimes, they do not even go when called for hearings.

The way work is organised in the industry, notably the commission dimension to it, requires that drivers work more than eight hours per day. Drivers push themselves to work maximum hours, making it very difficult for the department to enforce minimum wages. There is no standard pay in the industry. One owner says that “*I will pay my driver 30% out of the money he makes per week*” (date of interview: 11 February 2013). There is in fact no standard pay in the industry, with some variation in rates of commission between taxi owners. There is also no contract of employment in the industry. For example, one taxi driver had this to say:

*I do not have a contract of employment with my employer/the taxi owner. I also have no employment-linked benefits with my employer. On average, I work a 14-hour shift starting from 5am. I face exhaustion; I do nap while I wait in the queue for my turn* (date of interview: 15 February 2013).

Another driver claimed that “*I do not have a contract of employment, nor do I have employment-linked benefits such as UIF and leave pay with my employer*” (date of interview: 31 January 2013).

The varying conditions under which each taxi owner employs his drivers make it difficult for the DoL to enforce regulations, particularly when there is no employment contract. Formally, a driver with an employment contract should receive employment-linked benefits. When an employer (including a taxi owner) employs someone, the Department of Labour expects that a formal employer-employee relationship be established, stipulating that a worker work for a certain period of hours, and that he be granted employment-linked

benefits. This does not exist in the minibus taxi industry given the conditions under which a taxi owner employs his drivers. As such, there seems to be a conflict between conditions of work (including commission work) and the formal Sectoral Determination (SD) and associated labour legislation, which typifies what I would call “a contested terrain”. A contest exists between the DoL and the taxi owners in terms of framing the character of the labour process and working conditions in the industry. I call this a contested terrain because it centres on the need of taxi owners to obey labour regulations with regard to the Sectoral Determination, and the refusal by most taxi operators to obey such regulations. In a sense, then, the contested terrain concerns the conflict-based relationship between simultaneous processes of formalisation and in-formalisation.

#### **5.4.1 Commission Work and Sectoral Determination: Contested terrain**

For the purposes of the SD, it is vital to note that an employee of the taxi sector includes taxi drivers; administrative staff; rank marshalls; employees engaged to clean vehicles, premises, machinery and tools; employees who check and collect fares from passengers and those who manage the loading of passengers into taxi vehicles. The determination does not apply to owner-drivers and employers and employees in the metered taxi sector, both of which are excluded from my study. For the purposes of this study, I chose to focus on taxi owners with employees.

As outlined above, the nature of work in the taxi industry is a very complicated and decentralised terrain. It is a terrain that is informed by many stakeholders, including the Department of Labour, taxi owners and taxi drivers. The DoL tries, within its capacity, to make sure that labour regulations become part of this very complicated terrain, but these efforts are undermined at times by both owners and drivers. It is a terrain where processes of formalisation and in-formalisation of the taxi industry appear to be happening simultaneously as contradictory moments. In articulating the differences between the attempts being made by the DoL and what is actually happening in the industry, Mr. Vuyisile Krakra from the Mdantsane Uncedo Taxi Association had this to say:

*The DoL has held workshops with us, concerning the issues of SD, employment-linked benefits such as UIF and leave pay. For example, the department has raised the fact that even if an employee is not permanent in the industry, he or she should have these benefits. However, there is not a single taxi association that has members who comply with these provisions of the act. Even the taxi drivers and staff members themselves, they avoid these things, for they do not want something that will put them on the corner [out of a job]. To a*

*large extent, owners claim that they are avoiding the labour costs. The system used to pay the drivers is the so-called “percentage system” or “commission”. They are in favour of this system, more than the minimum wage system proposed by the DoL. They argue that the minimum wage system would not be helping them, for a driver would work less knowing that he will get paid at the end of the month. But, the commission system is working for them given that it puts pressure on the drivers to work hard (date of interview: 15 February 2013).*

Clearly, then, the labour process within the minibus taxi industry is a much contested terrain. On the one hand, the DoL through formalisation tries to enforce the SD in the industry; on the other hand, owners avoid the SD to cut labour costs. In the similar way (as the preceding quotation implies), taxi drivers in the industry often choose to avoid any attempts at labour formalisation for fear of losing their jobs under a process of rationalisation with an uncertain future. It is the case then that not just the owners but also the taxi drivers prefer in-formalisation, though for different reasons. The drivers along with the owners therefore seem to be distancing themselves from the attempts made by the DoL to make the SD a central part of the industry.

Through the DoL, the minister of labour makes sectoral determinations establishing conditions of employment for employees in certain sectors of the economy without bargaining councils – in this case, the taxi sector. Central here is the minimum wage which is the lowest hourly, daily or monthly wage that employers may legally pay employees in that particular sector in South Africa. This often applies to unskilled or semi-skilled workers including in the farming and domestic work sectors. The current SD for the taxi sector was published on 28 April 2005. But the SD (11: Taxi Sector) was most recently amended by the current Minister of Labour (Mildred Neliswe Oliphant) effective 1 July 2013. The determination regulates conditions of employment and minimum wages to be paid in the taxi sector (Sectoral Determination for the Taxi Sector: 11). Current minimum wages for the taxi sector stand, as amended, at R2,643.47 per month for drivers, R2,113.11 per month for rank marshals and R2,643.47 monthly for administration workers. However, given the character of work in the industry, it is no surprise that these provisions do not exist in practice within the taxi industry, especially for the taxi drivers.

Interviews with taxi drivers during fieldwork revealed that drivers regularly work more than eight hours per day, and hours beyond what is legally permitted. There are many challenges to working in the taxi industry for drivers, including having to wake-up as early as four in the morning and working to nine in the evening. Because of this, taxi driving for many drivers is a job of last resort when all other opportunities, which are rarely many, fail.

These long hours are linked to the percentage-system or commission basis of payment in the industry. Taxi operators or employers in East London/Mdantsane indicate that most taxi drivers are paid on a commission basis. This means that taxi operators set (often weekly) targets for their employees and they pay them based on the percentage agreed on a commission basis. Taxi operators from the taxi associations of MELTA, MUTA, and ELTA indicate that commission payment varies between 15% and 25%. However, they did not clearly indicate what happens in the event that a driver does not reach the target set.

Some of the taxi drivers (in MUTA, MELTA, and ELTA) who were willing to talk to me revealed that they earned more than the legal minimum wage – depending on how much revenue they had generated that week. Their earnings are dependent on how many trips they make. On a good day a driver can make up to eight trips. One taxi driver, who did not want to be named, from the Mdantsane East London Taxi Association noted:

*As drivers we work long hours for low wages with no benefits, harassment by traffic officials, and pressure from passengers make taxi driving a stressful job. Driving fast in overloaded vehicles to increase take-home pay adds to the stress (date of interview: 15 February 2013).*

A report of the Employment Conditions Commission (ECC) to the Minister of Labour for the Taxi Sector in South Africa, indicated that operators “argued that the implementation of the sectoral determination would have an adverse impact on job creation and small businesses since they fall within the latter category” (ECC Report on the Taxi Sector, 2012:13). If need though taxi drivers are earning more than the minimum wage, then the full implementation of the SD would not lead to job losses if the level of business and thus revenue within the industry did not decline with formal structuring under the SD.

Be that as it may, the DoL has at times proposed that commission-based payment be allowed under the SD in the taxi industry, though it remains unclear if this has ever received formal approval. Certainly there is no evidence that it is operational in East London. In order for commission work to function, the SD – according to the DoL – would have to state that an employer and employee could enter into an agreement for pay on commission provided that the agreement is in writing and also that the employer, irrespective of the actual amount earned on commission by the driver, would guarantee the worker at least the prescribed minimum wage.

However, to emphasise, currently the minibus taxi industry in East London and Mdantsane does not comply with the SD on a number of fronts. Set minimum wages are not received by drivers, owners do not pay overtime premiums as stipulated, and owners do not abide by the stipulated hours as contained in the SD. On the issue of hours of work, taxi

owners reported that there is nothing called “hours of work” for drivers in the taxi industry because taxi drivers’ work depends on the availability of passengers. They also stated that it would be difficult for them to monitor how many hours their drivers work since drivers work independently from them. This point underpins the notion of a decentralised labour process in the industry, where there is no centralised and direct management control, and where the design of the work flow is spatially dispersed and fluid.

Given the character of work in the industry, including the de-centralised functioning of drivers dispersed throughout the locality, trade unions find it very difficult to organise workers in the taxi industry. I elaborate on this in the next section.

#### **5.4.2 Organising the unorganised workers: The case of minibus taxi drivers**

The minibus taxi industry in East London, as elsewhere in South Africa, is only partly organised. The employers’ associations consist of South African National Taxi Council (SANTACO) (which claims to represent employers nationally) and Top Six Taxi Management whose members are mainly in Gauteng Province. Employees are represented by mainly two unions, that is, the South African Transport and Allied Workers Union (SATAWU) and South African National Taxi Drivers Association (SANTADA), but it is not clear whether the latter exists in East London. Not all employees in the taxi sector belong to these unions; in fact, the actual number of unionised taxi drivers in the East London/Mdantsane remains unclear. More particularly, SATAWU in East London has stated that it is difficult to organise workers whose employment is not permanent or guaranteed.

Despite the fact that SANTACO claims to be nationally representative, during the fieldwork interviews, taxi owners and employees (including drivers) in East London appeared overall not to be aware of the existence of SANTACO; or if they were, they mentioned that SANTACO is just for the elite. In light of the challenge of organising taxi industry employees, Mr. Sinana from SATAWU in East London noted that:

*As the union we are having some difficulties with organising employees in the industry. People are so ignorant, even the owners – they do not really know and understand how work is organised in the industry. The other difficulty we find when organising in that industry, is that you will find that the driver is driving for his sister. So, it is really difficult to differentiate who is the employer, and employee (date of interview: 28 January 2013).*

Against this backdrop, the relationship between the driver and the owner, notably the relationship of mutual dependence and mutual interest, causes problems for the union in gaining support. As well, some drivers want to unite and join the union, while others refuse.

As such, they are not in a unified position to sing the same song, which causes numerous problems around organising taxi drivers.

The arguments by SATAWU seem to imply that the union has been at the forefront in actively engaging with the state in proposing and implementing relevant labour legislation for the minibus taxi industry, and that any failure in implementation results from taxi owners pressuring drivers to maximise profit. Thus, Mr. Kota from SATAWU highlights the fact that:

*The atmosphere in the taxi industry is a very complicated one. Although there is a mission to try and transform the industry, there are some challenges. The environment out there is not healthy at all – it needs some energy. The major area that is failing us in the taxi industry is the DoL on the issues of the enforcement of labour regulations. As SATAWU, we are the first union to ensure that there is an enforcement of the issue of wage determination that is ruling the industry. We took this from the experience of the accidents that are ruling the industry, with taxi drivers driving very fast to ensure that they accumulate more profit (date of interview: 28 January 2013).*

From the taxi drivers' perspective, at least from the perspective of some, SATAWU however has not significantly sought to mobilise taxi drivers in East London. As one driver indicated:

*Since I joined the taxi industry as a taxi driver, I have not seen any organiser in this taxi rank trying to mobilise us. If it really exists as you say, I wonder what prevent the organisers from coming here to recruit us because I have not heard of any taxi driver who is the union member (date of interview: 15 February 2013).*

It is also noteworthy to add that taxi drivers may themselves be responsible for ensuring deficiencies in labour legislation implementation because, in being paid on a commission basis, they do obtain certain benefits which may not otherwise exist. This of course does not take away from the harsh and indecent working conditions that drivers regularly experience.

Another taxi driver (Andile) noted that, in the end, the task of organising taxi drivers would be difficult given that: *“There is no central management control in the taxi industry. As such, it is difficult to mobilise drivers for different reasons. The taxi industry is very complicated in such a way that we, as drivers, work for different taxi owners”* (date of interview: 15 February 2013). In practice, taxi drivers are more difficult to organize than those in full-time and permanent employment such as formal public transport (buses and trains). The large and increasing number of workers such as taxi drivers in the East London minibus industry has effectively created a crisis of representation for SATAWU and organized labour. In general, taxi owners in East London do not abide by the Sectoral

Determination and owners take advantage of the dispersed character of taxi drivers in imposing in-decent conditions of work on notably drivers. This has clearly undermined the position of SATAWU and the possibility of collective bargaining institutions in the minibus taxi industry.

This of course relates back to the broader prevalence of non-standard and atypical (part-time, temporary, casual or fixed-term) employment arrangements which regularly share the characteristic of being unorganized and commonly excluded from the structures of representation in the workplace or sector (Klerck, 2009). The taxi drivers in the taxi industry are a clear case in point. Taxi drivers are involved in non-standard employment and fall within a secondary labour market. They tend to earn low wages; are exposed to the greatest risk of injury at the workplace; have the longest hours of work, shortest holidays and most unsociable hours; enjoy few if any non-wage benefits; and are confined to the most menial and routine tasks. SATAWU is thus having the challenge of trying to ‘organize the unorganized’. Regrettably, SATAWU may not be according priority to ‘organizing the unorganized’ and creating an internal structure and culture that embodies the characteristics of ‘organizing unionism’. This would entail putting more emphasis on what has often in the past been a secondary function for unions, namely, recruiting workers and extending the boundaries of unionization through new recognition agreements with employers (Heery, 2005). If a union like SATAWU is to make further inroads into the minibus taxi industry, it will also need to come to terms with the complex processes of labour formalisation and in-formalisation taking place concurrently within the industry in a manner which recognises the significance of both processes for particularly taxi drivers.

### **5.5 Minibus taxi industry’s refusal to abide by the labour regulations: Reproducing informality**

As indicated in section four of this chapter, the character of the labour process and of work in the minibus industry in East London is decentralised and has contested processes of labour formalisation and in-formalisation. In this section, I briefly elaborate on this in relation to the broader focus of the thesis on the informal sector.

As an industry that remains structurally situated within the informal sector or economy, the minibus taxi industry is continuously reproducing the informal way of doing business. This is evident in the manner in which both taxi owners and employees in the industry work against the current formalisation process, specifically in relation to labour, as

outlined. For example, one taxi driver from the Mdantsane Uncedo Taxi Association had this to say:

*It is wrong for the government to want to formalise/regulate, when the very government had done nothing but cause confusion within the taxi industry. They do not subsidise us; they only subsidise buses and even give them special lanes on the road. They should not regulate us because they do nothing for us. This business is ours. Like many other drivers, I face a dilemma: I need to travel as fast as I can to fit in as many trips as possible, but if I am caught speeding I will be fined (date of interview: 15 February 2013).*

The main point ingrained in this quotation is that the minibus taxi industry in East London (and quite possibly South Africa at large), is consciously seeking to reproduce informality. The sentiment is that taxi owners and employees do not want the uncertainty and restrictions which may emanate from attempts by the state to further regulate the industry – for fear of losing their businesses or sources of employment. Reproducing labour informality in the minibus taxi industry may mean that the state will look unfavourably on taxi owners in terms of providing forms of financial support (such as subsidies) and that workers such as drivers will continue to be subjected to informal employment relations without contracts and with harsh working conditions and long hours. But it seems that the road to regulation is perceived as a risky venture with an indeterminate end point.

Clearly, taxi drivers work under in-decent conditions with very few if any employment-linked benefits. They thus remain unprotected, largely because of the incongruity between legislative provisions of the state and the character of the labour process in the industry. As such, the industry reproduces informality which, to some extent, appears to be benefiting taxi drivers. Meanwhile, owners are undercutting the SD with seeming impunity. However, the widespread labour informality across the industry is perceived by government (in particular the DoL) as a barrier to enforcing labour regulations and indeed as countering broader processes of formalisation. The decentralised character of the labour process, in the context of the history of the minibus taxi industry (in which it operated outside state regulations), make labour formalisation a particularly difficult process.

It seems then that the contradictory moments of formalisation and in-formalisation with specific regard to labour in the minibus taxi industry will remain a contested terrain for some time. There is no reason to believe that taxi owners and taxi drivers will stop resisting formalisation and continue to defend (though not necessarily blatantly) a condition of in-formalised labour. In-formalised labour, as least in the case of the minibus industry, is no doubt precarious labour and it has all the negative characteristics typically associated with



precariousness. Taxi drivers operate under conditions in which their formal labour rights are not realised and they remain unprotected in practice vis-à-vis these rights. Taxi drivers have rights on paper – as written in the Sectoral Determination – but no *de facto* rights because the SD is not being enforced in the industry because of opposition to it. This clearly places the minibus industry within the informal sector in terms of a labour perspective on formality. The point though is that taxi drivers do not have an undifferentiated perspective on labour informality – it has both its good and bad dimensions. Unless the bad begins to outweigh the good from the perspective of taxi drivers, and here the role of the unions would be of great significance, it is unlikely that labour formalisation will go unchallenged.

Overall, the sentiment in the minibus taxi industry in East London is that labour formalisation is a top-down process undertaken by the department of labour that does not engage with the on-the-ground complexities of the industry. In many ways, this is the same dominant sentiment which exists in relation to other aspects of the state's formalisation programme, including the taxi recapitalisation process under the auspices of the department of transport.

## **5.6 Conclusion**

Consequently, this chapter has critically engaged with the nature of work within the minibus taxi industry in East London. Central here, has been an attempt to unearth the manner in which the labour process appears as *decentralised* within the industry – with a contested terrain between Commission Work and the Sectoral Determination. The minibus taxi industry is a very complicated, dynamic industry that is informed by various stakeholders that play a central role in the processes of formalisation/in-formalisation. Thus, it is essential to note that the processes that define the nature of work in the industry are central in the taxi industry's modus operandi. As such, it is clear that without the processes (taxi operating, driving, commuting, informalisation, formalisation, etc.) that continually work to support the taxi industry, the sector would be meaningless. The industry is praised with supporting black South African communities by providing a decentralised, inexpensive, and more accessible alternative to public transportation. It also provides a strong example of enterprise serving as a platform for fighting unemployment, for job creation and for poverty alleviation. The industry continues to provide linkages between the formal and informal sectors of the economy – for example, though structurally situated with the informal economy, the industry carries on a large number of people who work in the formal sector in the city centre.

## **Chapter Six:**

### **Conclusion**

#### **6.1 Introduction**

The minibus taxi industry in South Africa is structurally situated within the informal economy but, as this thesis shows, it is characterised by contested processes of formalisation and in-formalisation. This is specifically the case with reference to the labour process within the minibus industry. In offering a synthesis of the main arguments put forward in this thesis, this concluding chapter addresses the following themes. The first section reconsiders the labour process within the informal economy, and this entails bringing to the fore the view that in-formalisation should be considered as a process rather than a static condition. In the second section, I focus on processes of formalisation and in-formalisation with reference to the minibus taxi industry in South Africa and specifically in East London. The third section offers an understanding of the relations between formal and informal economies in the context of the minibus taxi industry, and hence it seeks to bring to bear on each other the theoretical framing of the thesis and the evidence pertaining to my case study of the East London minibus taxi industry.

#### **6.2 The Labour Process and the Informal Sector: Formalisation and In-formalisation**

In his analysis of the labour process, Marx stated that the production process and particularly the relationship between capital and labour, or between capitalists and wage-labourers, should be the key vantage-point for any understating of capitalist society. Furthermore, he noted that once the capacity to labour (or labour power) has been bought as a ‘commodity’ by the capitalist, the wage-labourer works under the control of the capitalist – or under managerial control – to whom his concrete labour (or actual labour) belongs. Managerial control is thus critical to the capitalist labour process such that, without these controls, labour power would remain a mere potentiality or capacity and material commodities would not be produced. Labour control, as a managerial duty, lies at the centre of the employment relationship when examined in terms of the labour process.

In relation to this thesis on the minibus taxi industry, certain points need to be highlighted in providing a nuanced understanding of the labour process in petty commodity production as located within the informal economy. Of course, not all petty commodity production takes place within the informal economy. Whether it takes place in the formal or

informal economy, petty commodity production has specific characteristics. For instance, the owner may also perform the function of management, which is not the case in large-scale production in contemporary capitalism. In addition, the owner-manager may perform not simply the function of management (or organising the labour process) but also the function of execution (as a labourer). These specific characteristics of petty commodity production are evident in the minibus taxi industry in East London.

This distinction between the capitalist labour process and the labour process in petty commodity production therefore cannot be mapped onto the distinction between the formal economy and the informal economy respectively. Even though petty commodity production dominates informal economies, petty commodity enterprises are regularly found in the formal economy. As well, as noted in the thesis, the argument is often made that – under neo-liberal restructuring – an increasing number of workers within the formal economy (including in large-scale capitalist production) are involved in precarious employment relationships which have all the hall-marks of informal labour. The point then is that petty commodity production as structurally located in the informal economy may have, at least with regard to labour, commonalities with petty commodity production located in the formal economy and with large-scale capitalist production. These commonalities though should not obscure the distinctiveness of the labour process in petty commodity production in the informal economy, such as the minibus taxi industry. Processes of formalisation and in-formalisation may mark all sectors and segments of the capitalist economy, but they take on particular forms vis-à-vis the minibus taxi industry and similar economic processes. In the case of the minibus industry in East London, there are competing processes of formalisation and in-formalisation taking place with regard to the industry broadly and the labour process more specifically.

### **6.3 Formalisation and In-formalisation: the Minibus Taxi Industry in South Africa**

Formalisation and in-formalisation as complex processes within the minibus taxi industry do not relate exclusively to labour and the labour process. Also important are broader initiatives by the South African state to regulate the operations of the industry, to make it an organised transport system. This is occurring for example through the taxi recapitalisation programme. The programme is aimed at regulating the industry by notably phasing out the current 9 to 16-seater fleet of taxis and replacing them with larger (even 35-seater) TRP taxi vehicles. Strident efforts are also underway to ensure that all taxi owners operate specific designated routes based on permits and operating licenses, to avoid the informal contestation and conflict over routes. State attempts to formalise the industry also exist at municipal level through, in

the case of East London, the Integrated Transport Plan, the Public Transport Plan, and the Public Transport Framework Plan for Mdantsane. But the Buffalo City Municipality is facing massive challenges in formalising the taxi industry. State incapacity and inadequate public resources are key issues in this regard. However, resistance on the part of taxi owners to the overall formalisation process is also a critical factor in seeking to understand the failure of formalisation. Taxi owners in the main prefer in-formalisation and hence are undermining the formalisation process. This is manifested for instance in the significant number of taxi owners operating illegally in Buffalo City.

These broader processes of formalisation and in-formalisation in the taxi industry are intrinsically related to the formalisation and in-formalisation with respect to labour and indeed the latter cannot be understood fully without reference to the former. While broader state-driven formalisation processes are taking place, so are formalisation processes with specific reference to labour. This is not to suggest though that the South African state has a comprehensive formalisation process for the taxi industry in which all aspects are neatly intertwined. But certainly aspects of the formalisation process impact on each other, certainly from the perspective of the taxi industry.

In the case of labour in South Africa, I have noted that processes of in-formalisation are occurring even within the formal sector in the context of neo-liberal restructuring. However, it is important to note that the South African state is not a full-blown neo-liberal state despite claims to the contrary. In addition to the neo-liberal agenda in South Africa, as demonstrated for instance in GEAR, there is also a clear redistributive drive taking place. There is also a trend in relation to labour which seeks to protect working people through labour legislation of a social protectionist kind. The state, through labour legislation, is seeking to fully incorporate taxi industry workers into the national labour framework (for instance, through minimum wages) but this is being resisted by the taxi industry as witnessed by the kinds of remuneration workers (particularly taxi drivers) receive. And the evidence suggests that the resistance, and therefore the attempt to maintain labour in-formalisation, is emanating from both taxi owners and taxi drivers. As noted, this is part of a broader struggle against formalisation.

This resistance has serious implications for the labour process. I have argued that the labour process is highly de-centralised in the sense of the level and form of autonomy granted to taxi drivers in their day-to-day working activities. Direct labour controls, entailing strict managerial oversight, is not a characteristic of the labour process in the minibus taxi industry. The type of autonomy granted to taxi drivers is certainly not the same as the responsible

autonomy granted to highly-skilled workers under post-Fordism. Because of the pronounced element of de-centralisation, the labour process in the taxi industry may be more akin to the 'putting-out' system found under early capitalism in which home-based artisans entered into a business relationship and not an employer-employee relationship with the merchant or budding industrial capitalist. Of course, taxi drivers are not artisans but the relationship they have with taxi owners does have all the essential qualities of a formal employer-employee relationship, and often taxi owners and taxi drivers do not conceptualise the relationship in such terms. Insofar as the taxi industry is resisting the formalisation of labour, and the introduction of state-regulated employer-employee relations, then the industry is effectively reproducing and maintaining the taxi industry labour process in the form it currently exists. This labour process is in large part socially-regulated rather than state-regulated, as both taxi owners and drivers seek to position and manoeuvre themselves on a daily basis to maximise their advantages.

#### **6.4 The Formal and Informal Sectors and the Minibus Taxi Industry**

The dualistic way of making sense of formal and informal economies is hugely problematic, particularly when the formal sector or economy is seen as modern, dynamic and capitalist, and the informal sector is viewed as traditional, backward and almost pre-capitalist. This thesis has sought to highlight the interconnectedness of the formal and informal economies (rather than seeing them as isolated and discrete economic spaces) and, more importantly, to even question the relevance of the formal-informal distinction. My argument is consistent in the main with the structuralist approach to the informal economy.

In this regard, formalisation and in-formalisation as processes should be given analytical priority over formality and informality as conditions of existence. Both the formal and informal economies have processes of formalisation and in-formalisation embedded in them. Thus informality is not simply a question of standing outside the realm of state regulation; perhaps more importantly, it entails going against or acting contrary to state regulation despite even formally being bound to act within the confines of state regulation. As well, formalisation and in-formalisation are not undifferentiated and unitary processes, as they have different strands and dimensions as illustrated in the case of the minibus taxi industry in East London. Because of this, there may be unevenness in processes of formalisation, with some dimensions advancing in different ways or to different degrees; a similar argument could be made with regard to in-formalisation.

In emphasising process (for example, in-formalisation) over structure (for example, informality), I do not deny the existence and importance of structure. Though there are good reasons for wanting to retain the notion of the informal economy, it is critical to conceive of the informal economy as fluid and in flux, and to see processes of formalisation and in-formalisation as constantly reshaping and restructuring specific informal economies such as the minibus taxi industry in East London. For this reason, in this thesis, I treated the minibus taxi industry as dynamic and not static. I sought to show the ways in which competing processes of formalisation and in-formalisation not only influence the character of the industry but in fact constitute it in distinctive ways. Insofar as these processes, which are of course social processes, constitute the minibus taxi industry, then clearly the industry is constantly subject to change and to reconstitution.

In conclusion, this thesis seeks to provide greater insight into the minibus taxi industry in East London specifically and in South Africa more broadly and, in so doing, to fill a noticeable gap in the empirical literature. But it also hopefully has made a small contribution theoretically – certainly not a major reworking of the existing theoretical literature on the labour process and informal economy, but nonetheless a contribution. While recognising the analytical distinction between the informal and formal economies, I argue against a fully-fledged ontological distinction between the two because of the processes of formalisation and in-formalisation which occur within and across economies. Understanding the specific form of a labour process, such as in the minibus taxi industry in South Africa, necessitates a deep sensitivity to these processes and the ways in which they work their ways out. After all, concrete labour processes exist under specific historical and spatial conditions. It is hoped that future research with regard to the minibus taxi industry in South Africa will provide further insight into the labour process in following the markers outlined in this thesis.

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## **APPENDICES**

### **Appendix 1 – Interview Schedules**

The interview will be conducted approximately from 18 January 2013 to 28 February 2013. For my study, a limited number of associations will be randomly selected from a list of taxi associations in East London. Interviews will be conducted with three taxi associations. These taxi associations operate along the route from Mdantsane Highway to Newlands, via Mount Ruth Station. These are Mdantsane East London Taxi Association, Mdantsane Uncedo Service Taxi Association, and East London Taxi Association. From these associations, the focus is specifically on taxi owners with employees rather than individual owner-operators. Five taxi owners and six taxi drivers will be interviewed from each taxi association. This will then make a total of 15 taxi owners and 18 taxi drivers to be interviewed. Interviews will also be conducted with the Department of Transport, and the Department of Labour. Qualitative research will be conducted. As noted in the proposal, I will use the following techniques: interviews, focus group discussions, and documentary research.

I will first start by discussing research ethics with the participants; for example privacy, anonymity, and et cetera will be taken into account.

#### **Interview Schedule for Mdantsane East London Taxi Association – Taxi operators/owners**

1. Are you a member of the Mdantsane East London Taxi Association?
2. When did you join the taxi industry?
3. What is your view of the industry? Would you classify it as formal or informal? Explain.
4. What are your views of the Taxi Recapitalisation Programme?
5. Do you receive any assistance from government?
6. Do you have knowledge of any taxi drivers' union?
7. How many employees do you have, and how do they work? Are they permanent?
8. What skills do you consider when employing your drivers?
9. How many hours do your drivers work per day/week?
10. Do you take part in the actual production process/driving of the taxis?
11. Do you have employment contract with your drivers?
12. Tell me about the working conditions of your drivers and other employees.

13. How are your taxi drivers paid; in other words, what is the system used to pay drivers?
14. Do they have employment-linked benefits such as Unemployment Insurance Fund and leave pay?
15. Do you have control on how drivers are to perform their work?
16. Tell me about the forms of interaction and negotiation with your employees.
17. How do you discipline your drivers?
18. What do you think is the reason why taxi drivers get involved mostly in road accidents?

**Interview Schedule for Mdantsane Uncedo Service Taxi Association – Taxi operators/owners.**

1. Are you a member of the Mdantsane Uncedo Service Taxi Association?
2. When did you join the taxi industry?
3. What is your view of the industry? Would you classify it as formal or informal? Explain.
4. What are your views of the Taxi Recapitalisation Programme?
5. Do you receive any assistance from government?
6. Do you have knowledge of any taxi drivers' union?
7. How many employees do you have, and how do they work? Are they permanent?
8. What skills do you consider when employing your drivers?
9. How many hours do your drivers work per day/week?
10. Do you take part in the actual production process/driving of the taxis?
11. Do you have employment contract with your drivers?
12. Tell me about the working conditions of your drivers and other employees.
13. How are your taxi drivers paid; in other words, what is the system used to pay drivers?
14. Do they have employment-linked benefits such as Unemployment Insurance Fund and leave pay?
15. Do you have control on how drivers are to perform their work?
16. Tell me about the forms of interaction and negotiation with your employees.
17. How do you discipline your drivers?
18. What do you think is the reason why taxi drivers get involved mostly in road accidents?

### **Interview Schedule for East London Taxi Association – Taxi operators/owners**

1. Are you a member of the East London Taxi Association?
2. When did you join the taxi industry?
3. What is your view of the industry? Would you classify it as formal or informal?  
Explain.
4. What are your views of the Taxi Recapitalisation Programme?
5. Do you receive any assistance from government?
6. Do you have knowledge of any taxi drivers' union?
7. How many employees do you have, and how do they work? Are they permanent?
8. What skills do you consider when employing your drivers?
9. How many hours do your drivers work per day/week?
10. Do you take part in the actual production process/driving of the taxis?
11. Do you have employment contract with your drivers?
12. Tell me about the working conditions of your drivers and other employees.
13. How are your taxi drivers paid; in other words, what is the system used to pay drivers?
14. Do they have employment-linked benefits such as Unemployment Insurance Fund and leave pay?
15. Do you have control on how drivers are to perform their work? How do you discipline your drivers?
16. Tell me about the forms of interaction and negotiation with your employees.
17. How do you discipline your drivers?
18. What do you think is the reason why taxi drivers get involved mostly in road accidents?

### **Interview Schedule for the Taxi drivers in each of these three taxi associations**

1. Are you a member of the Mdantsane East London Taxi Association; Mdantsane Uncedo Service Taxi Association; East London Taxi Association?
2. When did you start working for this taxi association/taxi industry?
3. Do you have contract of employment with your employer?
4. Tell me about the employment relationship with your employer.
5. Tell me about your working conditions; how many hours do you work per day/week?
6. Do you get off days, sick leaves, etc?
7. Do you have time to spend with your family?

8. How do you get paid?
9. Do you have employment-linked benefits such as Unemployment Insurance Fund and leave pay?
10. What are your views on the TRP?
11. What are the reasons that can lead to the dismissal of a taxi driver?

**Interview Schedule for the Eastern Cape Department of Transport – Mr Pumzile Mayaphi**

1. Tell me about the history of the taxi industry
2. Would you classify the minibus taxi industry as formal or informal? Explain.
3. Tell me about the formalisation of the minibus taxi industry
4. Has the TRP been successful?
5. Do you consider the industry as forming part of the informal sector?
6. How many legal and illegal taxis available?
7. Does the government provide any subsidy to the industry?
8. What do you think is the reason why taxi drivers get involved mostly in road accidents?
9. Please provide me with some documentary information on the formalisation of the industry.

**Interview Schedule for the Department of Labour**

1. Tell me about the Basic Conditions of Employment Act No. 75 of 1997. Do you think that the minibus taxi drivers' working hours comply with the provisions of this Act?
2. Tell me about the Sectoral Determination for the Taxi Sector.
3. How do you ensure that the taxi owners obey the labour laws?
4. How do you ensure good labour relations in the taxi industry?
5. Have you heard any cases of unfair dismissal from the industry?
6. What do you think is the reason why taxi drivers get involved mostly in road accidents?
7. Please provide me with some documentary information on the taxi industry.

## **Appendix 2 – E-mail Correspondences with Mr. Xolisa Nkomo**

**Att: Mr. Xolisa Nkomo**

Dear Mr. Nkomo

I hope you well.

In the taxi associations' statistics that you provided me with earlier in the year, under the Registration Status" there is "Provisionally Registered (Section 56.1)". Could you please explain what this means. Also, what does it mean for a taxi association to be active, inactive?

A focus for my thesis is with the East London Taxi Associations. I understand that the East London Taxi Association operates in East London; Mdantsane East London Taxi Association and Mdantsane Uncedo Taxi Association operate in Mdantsane only? Where do the East London District Taxi Association and Mdantsane East London and Districts Taxi Association as reflected in the table operate?

If you could please explain these and provide me with an explanation of the East London and Mdantsane taxi associations' statistics.

Your assistance will be greatly appreciated. I am in the final stages of my thesis. I shall be submitting this part by Friday, 20 September 2013. It would be really great if you could provide all this before then.

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Kind regards,

Siyabulela Fobosi

+27 78 789 9080

[sfobosi@gmail.com](mailto:sfobosi@gmail.com) or [g07f4562@campus.ru.ac.za](mailto:g07f4562@campus.ru.ac.za)

### **Response from Mr. Nkomo:**

Good day, Sir

### **ABOUT THE INFORMATION YOU REQUESTED**

1. Registration of Taxi Associations and their members is categorized into three stages of registration status i.e. Provincially Registered; Provincially Registered (section 56.1) and Fully Registered. Currently associations and their members are registered under Provincially Registered (section 56.1). That is due to the fact that they don't yet meet all the required requirements for registration to be



changed to Fully Registered status, such as that all their members are having their vehicles captured under their names and that those vehicles are linked with operating licences (permits).

2. All registered taxi associations are active, but they might have inactive members. (i) An active member is a registered member under a registered association and possessing valid operating licence (permit). An inactive member is just a registered member with no valid operating licence or permit. (iii) An inactive member could also be a registered member under the registered association with or without operating licences but deceased or absconded from the association. It is also known that associations have non-registered members with no operating licences/permits but some of them have vehicles and are operating in their taxi ranks.

3. All the taxi associations that you have mentioned below operate between Mdantsane and East London to various cities and towns around South Africa but they only differ with their taxi ranks and route descriptions. Route description of every association defines point of departure and destinations. East London District Taxi Association; East London Taxi Association; Mdantsane East London and Districts Taxi Associations all have their taxi ranks in East London, meaning that their point of departure in their route descriptions should be East London. Mdantsane Uncedo Service Taxi Association, Mdantsane East London Taxi Association have their taxi ranks in Mdantsane and their point A is in Mdantsane. Associations apply for their routes to us and when approved routes are captured but as soon as routes are captured, that automatically reflects to every registered member of that particular association when issued with operating licence and is attached as an annexure to an operating licence and one would need to bring it when transporting passengers.

Unfortunately, I can't give out statistics of taxi associations without the authority. If you need the database statistics of those association you would need to formally request it to the management of the office and fax your request to 043 742 0428

Regards'

X. Nkomo

(Operating Licence and Permits)