DATA BRIEF

GCRO DATA BRIEF: NO. 6

Informal sector enterprise and employment in Gauteng

Produced by the
Gauteng City-Region Observatory (GCRO)

A partnership of the University of Johannesburg (UJ), University of the Witwatersrand, Johannesburg (Wits), the Gauteng Provincial Government (GPG) and organised local government

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1. Introduction

There is increasing interest at national, provincial and municipal government levels in developing township economies, small, medium and micro enterprises (SMMEs) and the informal sector. In the past two years, national government, through the Department of Trade and Industry (the dti), has instituted a panel to investigate the possibilities and problems of the informal sector and consequently finalised its policy on the sector.[1] In 2014 it established a Ministry of Small Business Development. The new Ministry has set an ambitious target to increase the contribution of SMMEs to the national gross domestic product (GDP) from its current contribution of around 35% to between 60% and 80%.[2] It seems the focus of this initiative will be on businesses in the formal, not the informal, sector.

In his State of the Province Address, the Premier of Gauteng emphasised the need to develop township economies where many informal enterprises are based and where many informal sector employees live and work.[3] When identifying "interventions" to "change the structure of the economy", the premier said the provincial government was "determined to revitalise and mainstream the township economy by supporting the development of township enterprises, cooperatives and SMMEs that produce goods and services that meet the needs of township residents".[4] At municipal levels, the cities of Johannesburg and Tshwane have been revisiting their policies on the informal sector and street trading.

This paper draws on data gathered on informal entrepreneurship and the use of and attitudes to the informal sector, as well as on informal employment in the Gauteng City-Region Observatory (GCRO) Quality of Life (QoL) III survey undertaken in 2013. The survey interviewed 27,494 residents of Gauteng. Respondents were interviewed where they lived and not where they worked, although this could be the same place in some instances. In the survey, an informal sector business was defined as one with fewer than five employees and which was not registered for value-added tax (VAT) or income tax.

The survey shows the importance of the informal sector to the entrepreneurial economy of the province. Of the 11% of respondents in the QoL III survey who owned their own business, 65% operated in the informal sector. Although there were limits on the number of questions that the survey could ask in relation to informal sector enterprises and entrepreneurs, it provides valuable information on the extent of informal sector business ownership in the province, the types of businesses being engaged in, use of the informal sector and attitudes to street trading.[5] The survey also provides information about informal employment, including people who are employed informally, the sectors where they work and their working conditions. It has been possible in many cases to disaggregate the data on informal sector entrepreneurship and employment to identify differences between

1 Department of Trade and Industry (DTI). 2013. *The National Informal Business Development Strategy (NIBDS)*. Department of Trade and Industry: Pretoria.
2 Creamer, T., 2014. *Amid a 'Dire' Entrepreneurial Climate, Zulu Sets Big Small Business GDP Target*. [Online] Available at: www.polity.org.za/article/amid-a-dire-entrepreneurial-climate-zulu-sets-big-small-business-gdp-target-2014-11-10. [Accessed 11 November 2014].
3 Gauteng Province Office of the Premier, 2014. *State of the Province Address by Premier David Makhura: Thokoza Auditorium, Ekurhuleni Metro*, 27 June 2014 [Online] Available at: www.gautengonline.gov.za. [Accessed 7 November 2014].
4 *Ibid*., p. 8.
5 The terms 'business owner' and 'entrepreneur' are used interchangeably here. A person who owns a business may not show what are considered to be entrepreneurial qualities. However, both terms may be used to describe people who own their own business.

municipalities in Gauteng. The findings challenge some commonly held opinions regarding informal sector entrepreneurship, street trading and informal employment while reinforcing others.

This Data Brief starts by presenting the data gathered in the QoL III survey on informal entrepreneurship, including business owners, the types of trade they were involved in, the ages of their businesses and where they sourced supplies. This section includes a brief exploration of informal interprovincial and international or cross-border trade undertaken by interviewees. The Data Brief then moves on to examine the use of the informal sector by respondents, including why they did or did not buy goods and services from the informal sector, as well as their attitudes to street trading.

Having looked at issues relating to informal entrepreneurship, the Data Brief then examines questions related to informal employment in the province. It provides information on who was employed in the informal sector, what types of employment they were engaged in and their relative working conditions. Where appropriate and possible, these are compared with respondents employed in the formal sector. Before concluding the Data Brief examines the monthly household incomes and debt of informal sector entrepreneurs and employees. Where relevant, the data are disaggregated to municipal level. The data highlight the importance of informal sector entrepreneurship and employment to the province as well as to the livelihoods and consumption patterns of many of its residents and their households.

Informal entrepreneurship takes a number of forms. Many business owners operating in the informal sector make their living selling goods. A person in Gauteng could buy everything they need for daily living from the informal sector, whether food, clothes, cosmetics or furniture and furnishings for their home. Their home itself could be rented informally and the plumbing fixed by an informal entrepreneur. Their shoes and clothes could be mended or even made to measure. At the same time they could get their hair done and their car washed and serviced and even repaired – all through informal sector businesses.

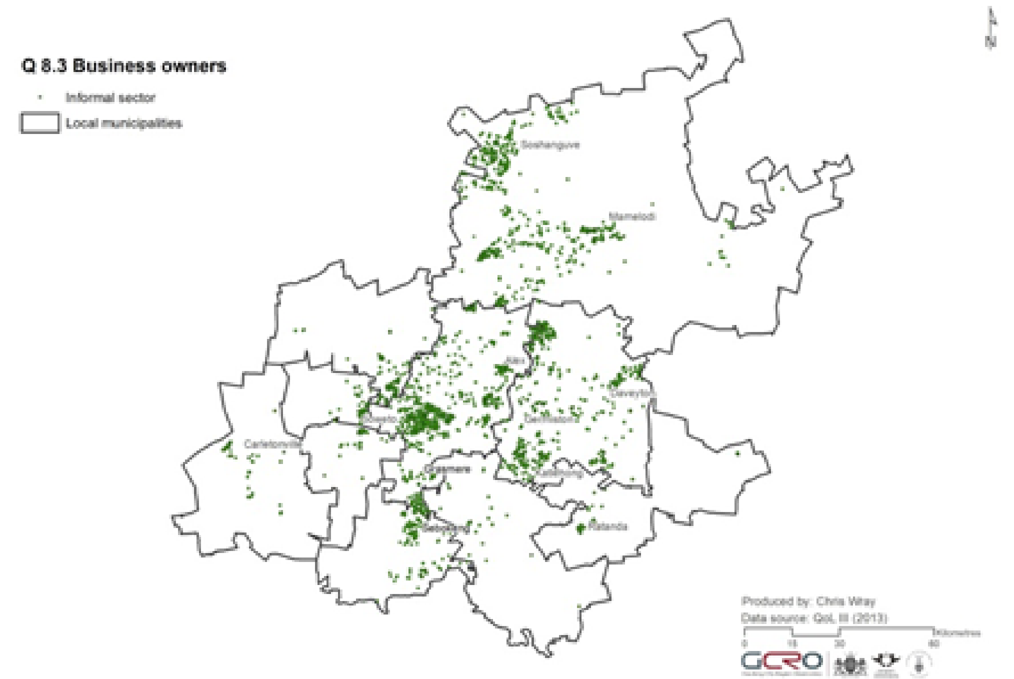
Economic activity in the informal sector involves more than selling, providing services and manufacturing goods. Some residents of the province are employed informally by business owners who operate in the informal sector and some are employed informally by formal sector businesses. Others, for instance some construction workers, are essentially self-employed in the informal sector, working on short term (often a day- or weekly-labourer basis) without any benefits or registration and with all the insecurity that entails. Other individuals and households derive informal income through renting out property, some of which may be classified as informal dwellings. The informal sector is therefore highly complex, and many if not the majority of residents in the province engage with it on a regular if not daily basis - as business owners, consumers and employees. Despite its importance, it is often overlooked and underestimated.

2. Informal entrepreneurship

Informal entrepreneurship includes wholesale and retail trading, the provision of services, and the manufacturing and making of goods. Some entrepreneurs may combine activities in more than one sector, for instance, a hair salon may cut and style hair, but also sell DVDs and CDs as well as hair products. The QoL III survey found that 11% of all respondents owned their own businesses (3,026 respondents). Of these, 65% operated their business in the informal sector (1,979 respondents).

Maps 1 and 2 show where informal and formal sector business owners were interviewed (each dot represents an interview). Remembering that respondents were interviewed where they lived and not necessarily where their business was located, Map 1 shows the penetration of informal businesses into township economies, as well as their location in some of the core economic areas of the province. For instance, note the concentrations of informal business owners in Soweto, Sebokeng, Mamelodi and Soshanguve. In contrast, Map 2 shows that the distribution of the formal sector business operators interviewed is more scattered and shows far less penetration into township areas of the province. Instead, these interviewees were more likely to be found in the core where the formal economy is stronger. This indicates the probable importance of informal sector enterprises to the provision of goods and services to residents of at least some township areas, as well as people living in other areas of the province which are often perceived as being socio-economically peripheral.

Map 1: Location of interviews with informal sector business owners, 2013



Map 2: Location of interviews with formal sector business owners, 2013

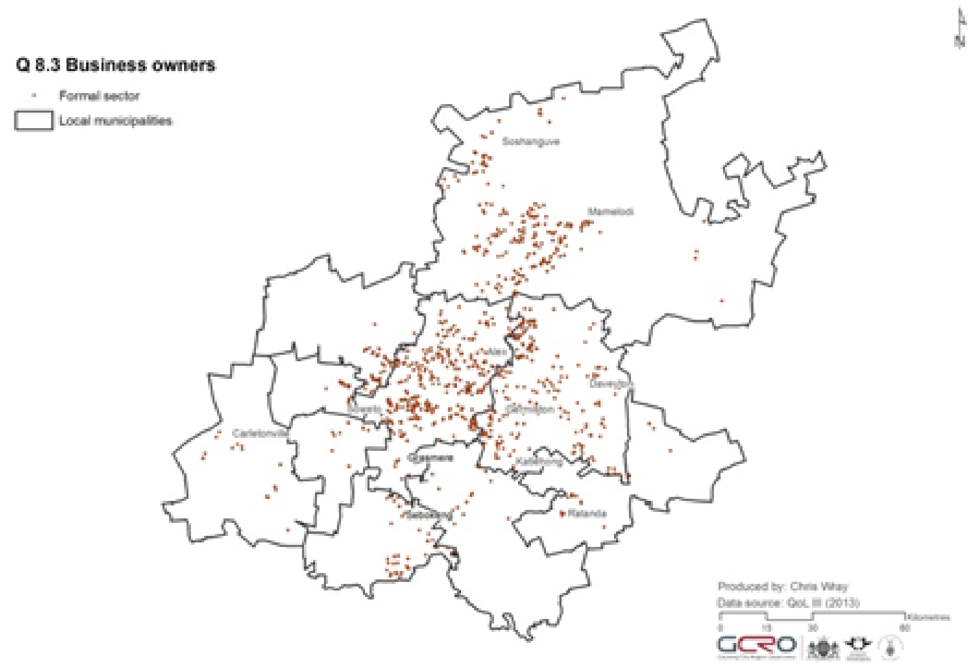
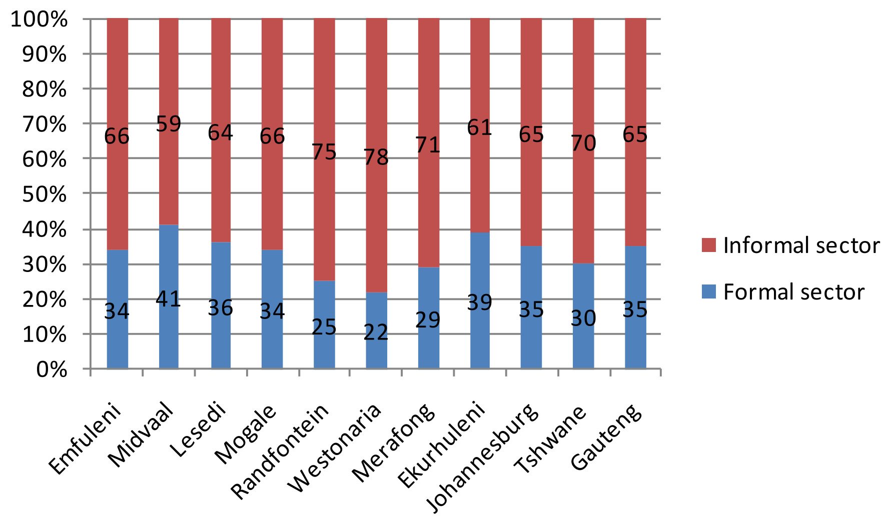


Figure 1 shows the differences in the proportions of entrepreneurs who operated in the informal and formal sectors in each municipality. Westonaria and Randfontein show the highest proportions of business owners in the informal sector, and Midvaal and Ekurhuleni the highest proportions in the formal sector.

Figure 1: Proportions of entrepreneurs in the formal and informal sectors, by municipality, 2013 (%)



There were differences in informal/formal business ownership by race and sex. Some 78% of black African, 70% of coloured, 57% of Indian and 31% of white entrepreneurs said their businesses operated in the informal sector. Of those who owned a business in the informal sector, 43% were women, indicating overall male dominance in the sector. However, of the women who owned a business, 71% operated in the informal sector, compared with 62% of male business owners. This suggests higher barriers of entry into the formal business sector for women. There was little difference in the age of entrepreneurs in the formal and informal sectors, although entrepreneurs in the formal sector were slightly more likely to fall into the 40-50 year age bracket, while a higher proportion of entrepreneurs in the informal sector were younger than 40. This could reflect lower barriers to entry in the informal sector.

South African respondents were more likely to own businesses in the formal sector. This applied to 37% of entrepreneurs who had been born in Gauteng and 34% of those who had migrated to Gauteng from another South African province. Only 27% of business owners who had migrated to Gauteng from another country owned a business in the formal sector. Thus migrant entrepreneurs from other countries were proportionally more likely to own businesses in the informal sector. This does not mean that foreign nationals dominated the informal economy, which is a common misconception (see Table 1). Of those who operated an informal business, 82% had been born in Gauteng or migrated to the province from somewhere else in South Africa (see Table 1).

Table 1: Place of origin of business owners, 2013 (%)

	All business owners (%) (N= 3,024)	Formal sector business owners (%) (N=1,045)	Informal sector business owners (%) (N=1,979)
Born in Gauteng	56	60	54
Moved to Gauteng from elsewhere in SA	28	27	28
Moved to Gauteng from another country	16	13	18

African, including Southern African Development Community (SADC) nationals, were more likely than other cross-border migrants to own businesses in the informal sector. Of the internal migrants who owned businesses, those from the Northern Cape (79%, N=14), Western Cape (77%, N=22), Limpopo (76%, N=267) and Mpumalanga (73%, N=126) were most likely to own businesses in the informal sector, and those from the Free State (51%, N=76) and KwaZulu-Natal (55%, N=176) were least likely to do so. Year of arrival in the province regardless of place of origin did not provide a clear picture of a relationship between being a new arrival and having a business in the informal sector.

2.1 Types of businesses

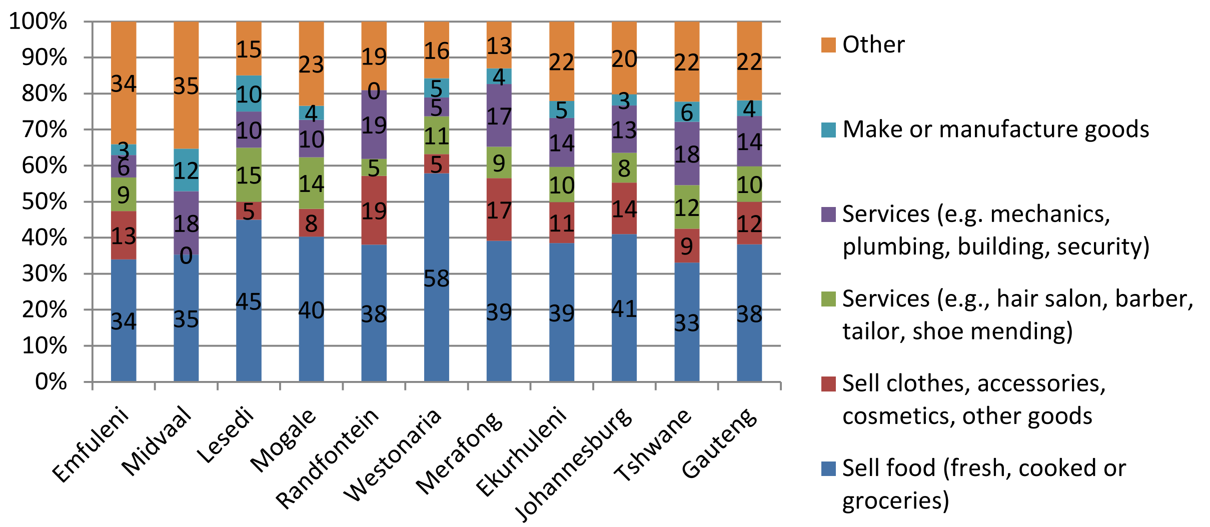
As Table 2 shows, the largest proportion (38%) of informal business owners in the survey sold food (fresh, cooked or groceries), followed by those providing other services (14%). As this latter category included people who provided plumbing, building, electrical and security services, there may be some overlap with informal employment. However the interviewees identified themselves as owning their own businesses. Another 12% sold clothes, accessories and cosmetics. Some 4% made or manufactured goods. A large proportion of the activities of respondents were classified as 'other'. This category included people engaging in activities like recycling, street photography, providing various household services, being a DJ, baking to supply vendors, producing ice, and car and truck rentals.

Table 2: Type of informal business, 2013 (%)

Type of trade/service (N=1,979)	%
Sell food (fresh, cooked food or groceries)	38
Services (e.g. panel beating, mechanics, plumbing, building, security)	14
Sell clothes, accessories, cosmetics or other goods	12
Services to people (e.g. hair salon, barber, tailor, shoe mending)	10
Make or manufacture goods	4
Other	22

There were differences in the proportions of types of informal businesses in different municipalities (Figure 2). It is notable that 58% of informal businesses in Westonaria sold food. It is not yet clear why there are differences in the proportions of businesses selling food and what the implications are for food security in different municipalities. However, it certainly raises questions about the availability of affordable food and residents' access to it. Respondents in Midrand and Lesedi were proportionally most likely to make or manufacture goods (Figure 2).

Figure 2: Type of informal business by municipality, 2013 (%)



2.2 Ages of businesses

Formal sector businesses appear to have greater longevity than those in the informal sector (Table 3). Thus 23% of formal businesses were more than 10 years old compared with just 12% of those in the informal sector. Conversely, 28% of informal businesses were less than a year old compared with 13% of those in the formal sector. The reasons for the differences in the age of businesses cannot be found within the parameters of the survey; however, the higher proportion of young businesses in the informal sector indicates its probable role as an entry-level option for new entrepreneurs and possibly as a livelihood strategy for the unemployed. It is also possible that some of the older businesses in the formal sector started out as informal enterprises. Differences in the age of businesses may also point to differences in demand for lower cost food and services and/or changing employment patterns, as well as the impact of economic change, including local, national and global booms and recessions. Increasing unemployment may lead to increasing participation in informal sector entrepreneurial activity. Lower household incomes may increase consumption from the informal sector. These may be experienced in specific ways in particular places.

Table 3: Age of formal and informal businesses, 2013 (%)

Age of business	Formal sector enterprise (%)	Informal sector enterprise (%)	Total (%)
Up to 1 year	13	28	23
2 years	10	16	14
3-4 years	16	18	17
5-6 years	19	14	16
7-10 years	20	12	14
11-15 years	10	6	8
16+ years	13	6	8

The age profiles of businesses were different between municipalities (Table 4). The businesses of informal entrepreneurs in Lesedi (50%), Randfontein (42%) and Emfuleni (40%) were most likely to be less than a year old. Informal businesses in Midvaal, Westonaria and Mogale City showed higher rates of longevity than in other municipalities, with 25%, 24% and 18% of informal entrepreneurs respectively saying their business was more than 10 years old (Table 4). It is not clear why these differences exist.

Table 4: Age of informal businesses by municipality, 2013 (%)

Municipality	Up to 1 year	2 years	3-4 years	5-6 years	7-10 years	11-15 years	16+ years
Emfuleni	40	13	13	8	14	6	4
Midvaal	25	13	19	0	19	19	6
Lesedi	50	10	20	15	0	5	0
Mogale City	28	21	12	9	12	7	11
Randfontein	42	11	16	5	21	5	0
Westonaria	29	10	24	10	5	10	14
Merafong City	30	13	22	9	13	4	9
Ekurhuleni	29	19	16	13	11	6	6
City of Johannesburg	26	14	21	16	13	6	4
City of Tshwane	26	17	18	17	10	6	6
Gauteng	28	16	18	14	12	6	6

Selling food appears to be an 'entry-level' business in the informal sector, with the highest proportion of any type of business (36%) less than one year old being located in this sector (Table 5). However, it should be remembered that food-based enterprises dominated business activity in the informal sector, comprising 38% of the businesses of the informal entrepreneurs interviewed (Table 2). Entrepreneurs with the oldest businesses in the informal sector were located in the service sector (Table 5).

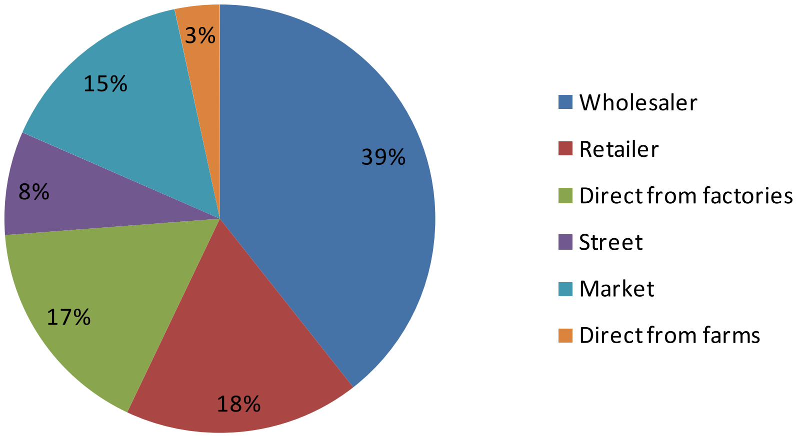
Table 5: Age of informal business and type of trade, 2013 (%)

Type of business	Up to 1 year	2 years	3-4 years	5-6 years	7-10 years	11-15 years	16+ years
Sell food (fresh, cooked food or groceries)	36	17	18	11	10	4	4
Sell clothes, accessories, cosmetics, other goods	30	16	17	12	13	7	4
Services (e.g. hair salon, barber, tailor, shoe mending)	15	15	20	21	15	4	10
Services (e.g. mechanics, plumbing, building, security)	21	13	17	20	8	11	10
Make or manufacture goods	22	13	26	10	16	9	3
Other	23	16	18	14	15	7	6

2.3 Sources of supplies for informal businesses

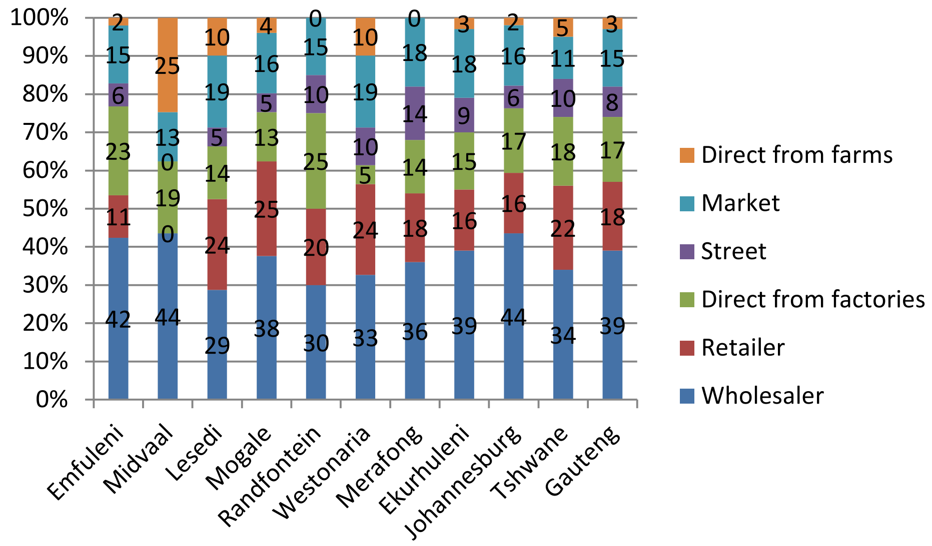
The informal and formal sectors of the province are intertwined. Informal entrepreneurs proved to be strong supporters of the formal sector, which formed a key part of the supply chains of many informal businesses. Figure 3 shows that almost three-quarters of informal entrepreneurs interviewed sourced the supplies for their businesses from wholesalers, retailers and direct from factories. Most, if not all, of these sources are likely to be in the formal sector and VAT should be paid on goods bought from them. Those who cited markets may also be buying formally and paying VAT if they are buying from markets like the Johannesburg Fresh Produce Market. Thus these informal businesses are contributing to the tax regime when they buy supplies from formal sector outlets. This indicates the complex and often symbiotic relationships and interconnections between the informal and formal entrepreneurial sectors which, rather than being separate, comprise one economy.

Figure 3: Where informal sector entrepreneurs sourced supplies for their businesses, 2013 (%)



There were differences between municipalities in the contribution of the informal sector to different sectors of the economy (Figure 4). In all municipalities, however, the proportion of supplies bought from wholesalers, retailers and factories reached over 60%. In more rural municipalities like Midvaal, Lesedi and Westonaria farms proved to be a relatively important source of products (Figure 4).

Figure 4: Source of supplies for informal enterprises by municipality, 2013 (%)



2.4 Interprovincial and international entrepreneurship

All respondents, regardless of whether they owned a business, were asked if they or anyone in their household took goods from Gauteng to sell (or buy) in another province or country.[6] A slightly higher number of respondents (338 or 1.2% of all interviewees) said they or a member of their household took goods out of Gauteng to sell than said they or anyone in their household brought goods into Gauteng to sell (273 or 1% of all interviewees). Although the percentages may seem small, 1% of the current adult population of the province would be around 35,000 people.

Of the 338 interviewees who said they or a member of their household took goods out of Gauteng to sell, 53% sold goods in another province and 47% in another country. Because this was a household-based question, it is not possible to know for certain the sex and race of those involved, only of the respondent. There were no noticeable differences between the proportions of different race groups who took goods out of Gauteng to sell. Reflecting interprovincial and international connections, migrant respondents (1.7% or 207 interviewees) were twice as likely as those born in Gauteng (0.8% or 131 interviewees) to say they or a

[6] Also reflecting interprovincial and international links, interviewees were asked if they gave support or money to another household (remittances). Some 19% of respondents born in Gauteng and 33% of those who had migrated into Gauteng (32% of internal and 39% of cross-border migrants) did so. Some 16% of people born in Gauteng said they received support from family/remittances, compared with 13% of people who had migrated into Gauteng (14% of internal and 11% of cross-border migrants).

household member took goods out of the province to sell. This was true of 4% (N=110) of cross-border migrants and 1% (N=97) of internal migrants. Thus 61% (N=207) of respondents who said they or a household member took goods outside Gauteng to sell were migrants (32% cross-border and 29% internal migrants). The remainder had been born in Gauteng.

Of the 338 respondents who said they or a household member sold goods outside Gauteng, 83 (23%) owned a business in the informal sector. Over half of these interviewees (55%) sold the goods in another province and 45% in another country. This can be compared with the 42 (12%) formal sector business owners whose households sold goods outside Gauteng, 64% of whom sold the goods in another province and 46% in another country.

A smaller number (273 or 1%) of all interviewees said they or a household member brought goods into Gauteng from another province or country to sell, with 38% saying the goods were brought from another province and 62% from another country. Again, as this was a household-based question, it is not possible to be definitive about the race and sex of those involved. But 3% of Indian/Asian, 1.3% of coloured, 1% of white and 0.8% of black African respondents said they or a household member brought goods in from another province to sell.

Again, mobility appeared to play a role, as migrant respondents (53%, N=146) who said they or a household member brought goods into Gauteng from other provinces to sell outnumbered those who had been born in Gauteng (47%, N=127) and did the same. Internal migrant respondents (39%, N=81) comprised the majority of migrants who said they or a household member brought goods into Gauteng. Cross-border migrants constituted 31% (N=64) of respondents who had a household member who brought goods into Gauteng to sell.

There were 64 informal business owners who said they or a member of their household brought goods into Gauteng to sell of whom 47% brought goods in from another province and 53% from another country. Of the 43 formal sector business owners who brought goods in, 58% did so from another province and 42% from another country.

While this data are limited in scope, they indicate the economic connections that some residents and households have made with different provinces and countries. Although the data here are scant, they suggest the need for further investigation of inter-provincial and international or cross-border trade and their value to the livelihoods of households in the province as well as the SMME economy.

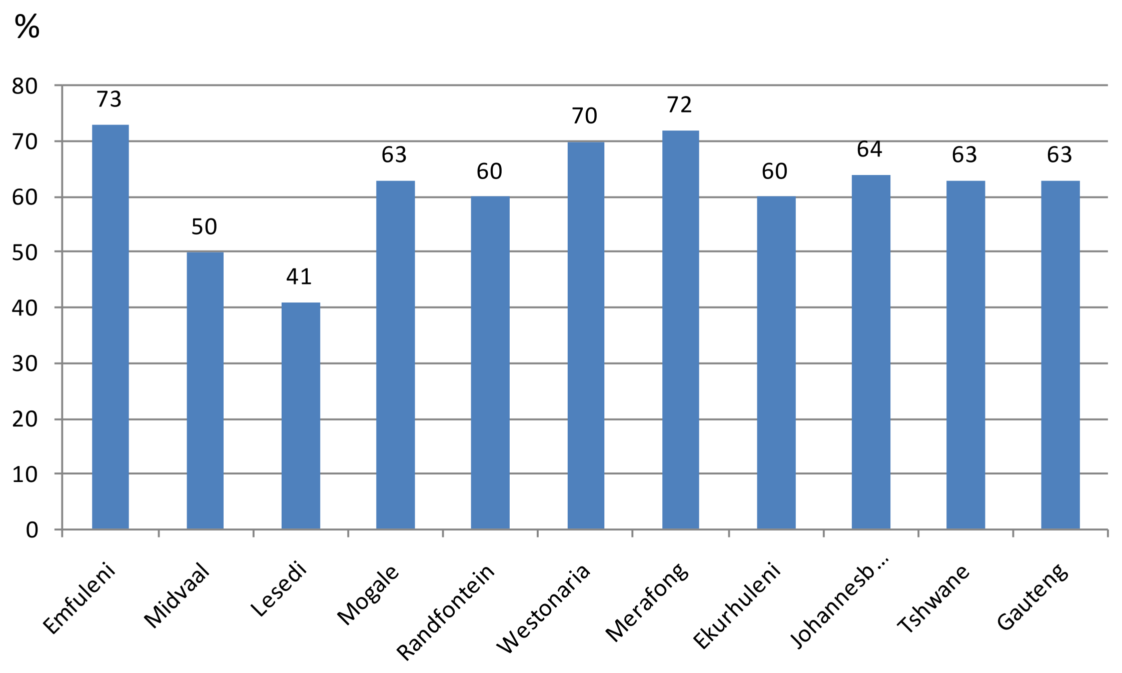
3. Use of the informal sector and attitudes to street trading

3.1 Who uses the informal sector, where and for what?

Interviewees were asked questions about their use of the informal sector, reasons for using it (or not), as well as their attitudes to street trading. Overall, 63% of all respondents had bought goods or services from street sellers or the informal sector in the previous 12 months (Figure 5). There were not significant variations in use between men and women. There were differences by race, however, with 75% of black African, 59% of coloured, 26% of Indian/Asian and 18% of white interviewees saying they had used the informal sector in the previous year.

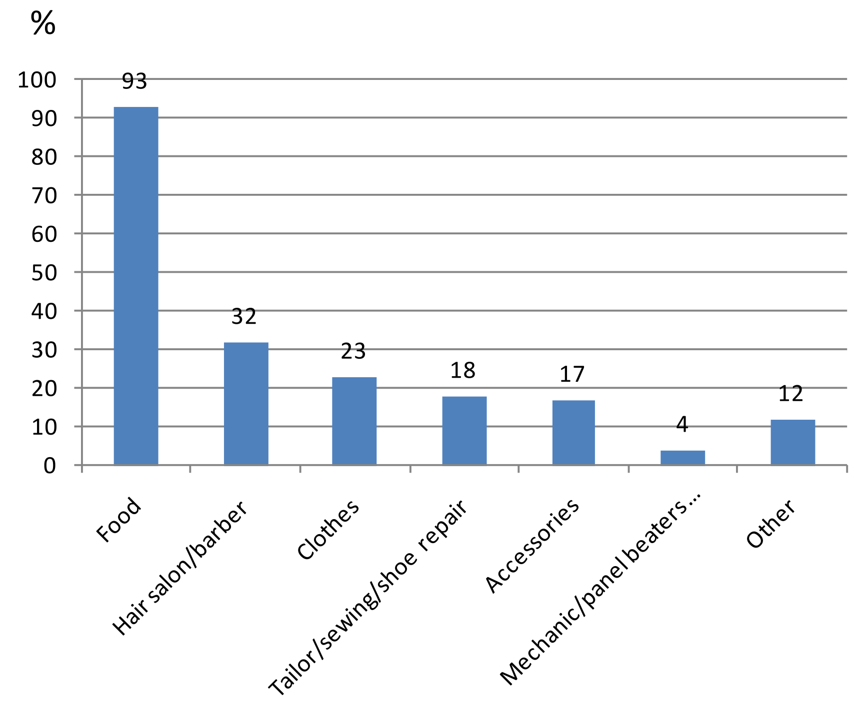
Differences were also found in the use of the informal sector by residents of different municipalities. The highest proportions of residents using the informal sector were found in Emfuleni, Merafong and Westonaria and the lowest in Lesedi and Midvaal (Figure 5). This relates to an earlier observation where the survey found that the first three municipalities had a high proportion of informal business owners and the latter two some of the lowest (Figure 1).

Figure 5: Use of the informal sector by municipality, 2013 (%)



In answer to a multiple response question, 93% of those who had used the informal sector in the previous year had bought food (Figure 6). This applied to 95% of black African, 94% of coloured, 78% of Indian/Asian and 67% of white respondents. There were no significant differences in the purchase of food between men (93%) and women (94%). There were, however, differences in the proportions of respondents from different municipalities who had used the informal sector to buy food in the previous year. Thus 97% of respondents from Westonaria, 96% each from Emfuleni and Lesedi, 94% each from Merafong, Ekurhuleni and Johannesburg, 92% from Tshwane, 91% each from Mogale and Randfontein and 88% from Midvaal had all bought food. The informal sector is also important for many residents in terms of grooming and personal maintenance (hair dressing, clothing and accessories, as well as the making and mending of clothes and shoes) (Figure 6) – which are central to urban and household consumption.

Figure 6: Goods and services bought in the informal sector in previous year, 2013 (%)



3.2 Reasons for using/not using the informal sector

When asked why they bought goods and services in the informal sector, amongst those that did, there was a general consensus across race and sex that they did so because it had "good prices" and was "affordable" (67%) (Figure 7). When considered together with the 93% of respondents who said they bought food, this suggests that the affordability of the informal sector could have implications for the supply of affordable food to households in the province. A further 25% said they bought from the informal sector because outlets were "conveniently located nearby". Those respondents who did not use the informal sector were asked why they did not do so (Figure 8). The largest proportion of these interviewees said because it was "unsafe" (33%), followed by those who said it was ''inconvenient'' (17%) and ''dirty or unhygienic'' (15%).

Figure 7: Reasons for using the informal sector, 2013 (%)

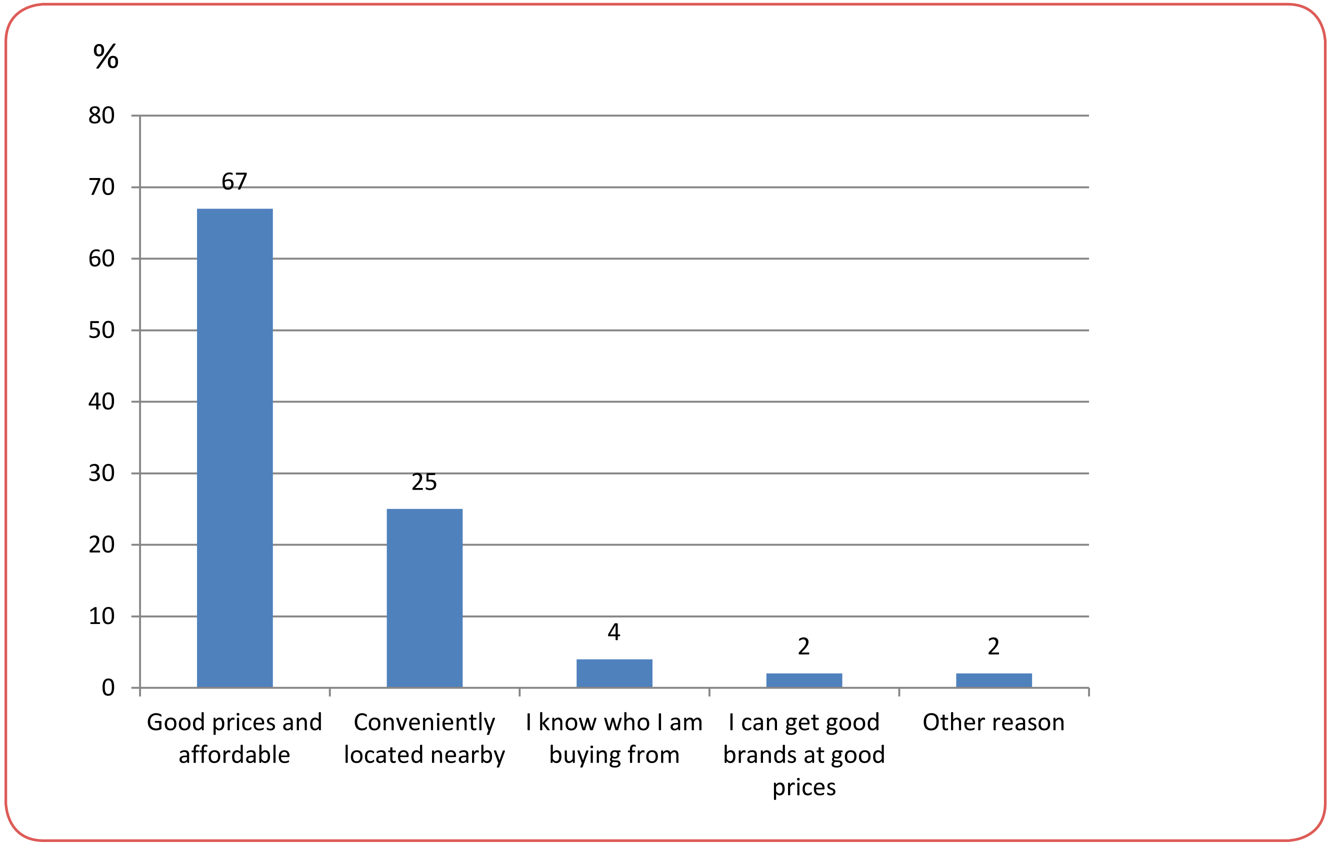
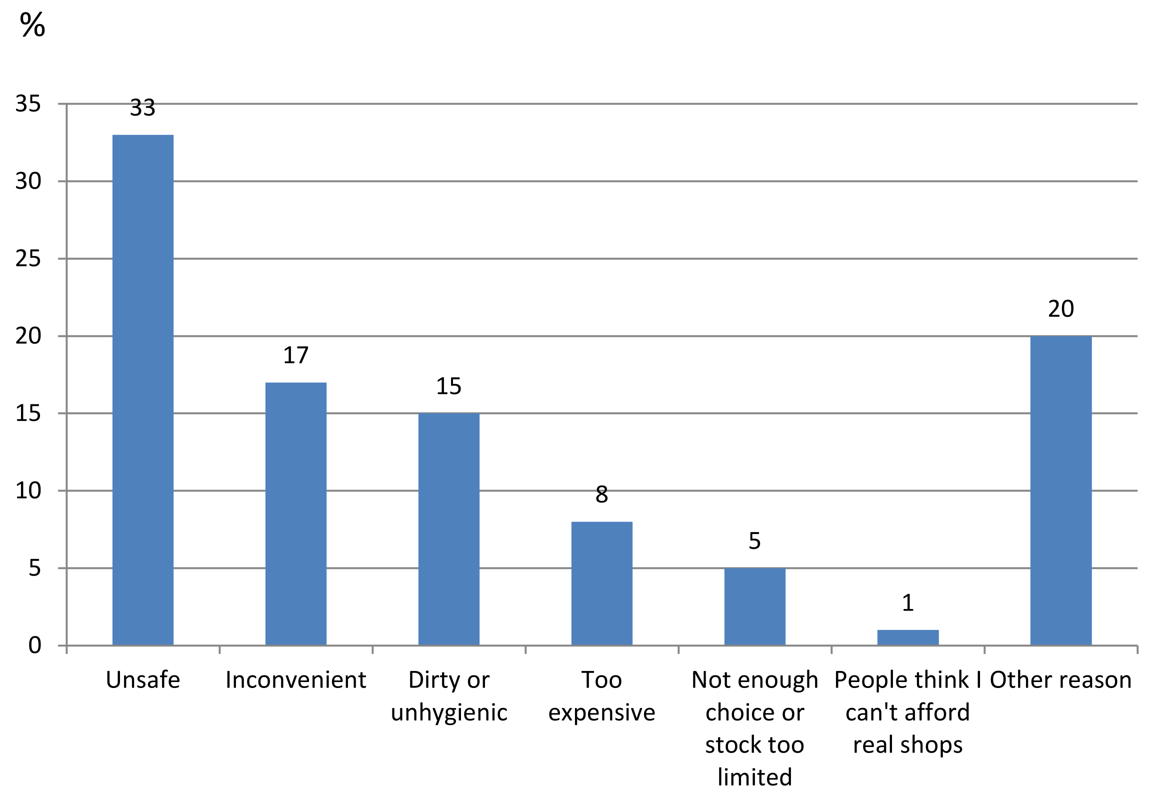


Figure 8: Reasons for not using the informal sector, 2013 (%)



Reasons for using the informal sector varied between municipalities (Figure 9). Of those respondents who used the informal sector, residents of Randfontein and Merafong were most likely to cite affordability and those in Ekurhuleni convenience as reasons for using the informal sector. Reasons for not using the informal sector also varied by municipality (Figure 10). Of the respondents who did not use the informal sector, those in Emfuleni (52%), Lesedi (47%) and Tshwane (44%) were most likely to cite safety concerns. Non-users in Randfontein (25%) and Merafong City (20%) were most likely to say they thought it was dirty and unhygienic (Figure 10).

Figure 9: Reasons for using the informal sector by municipality, 2013 (%)

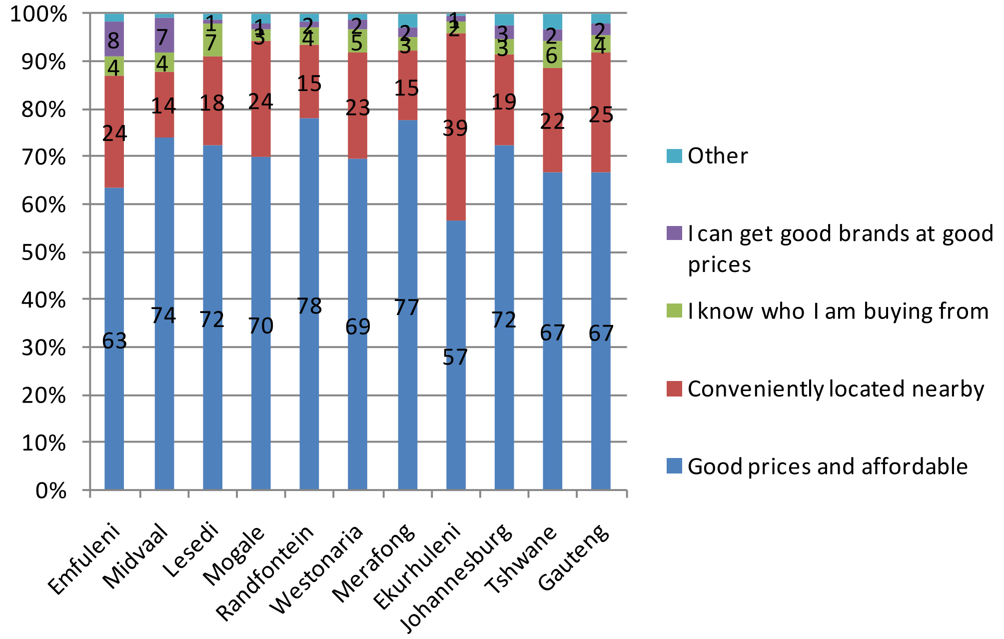
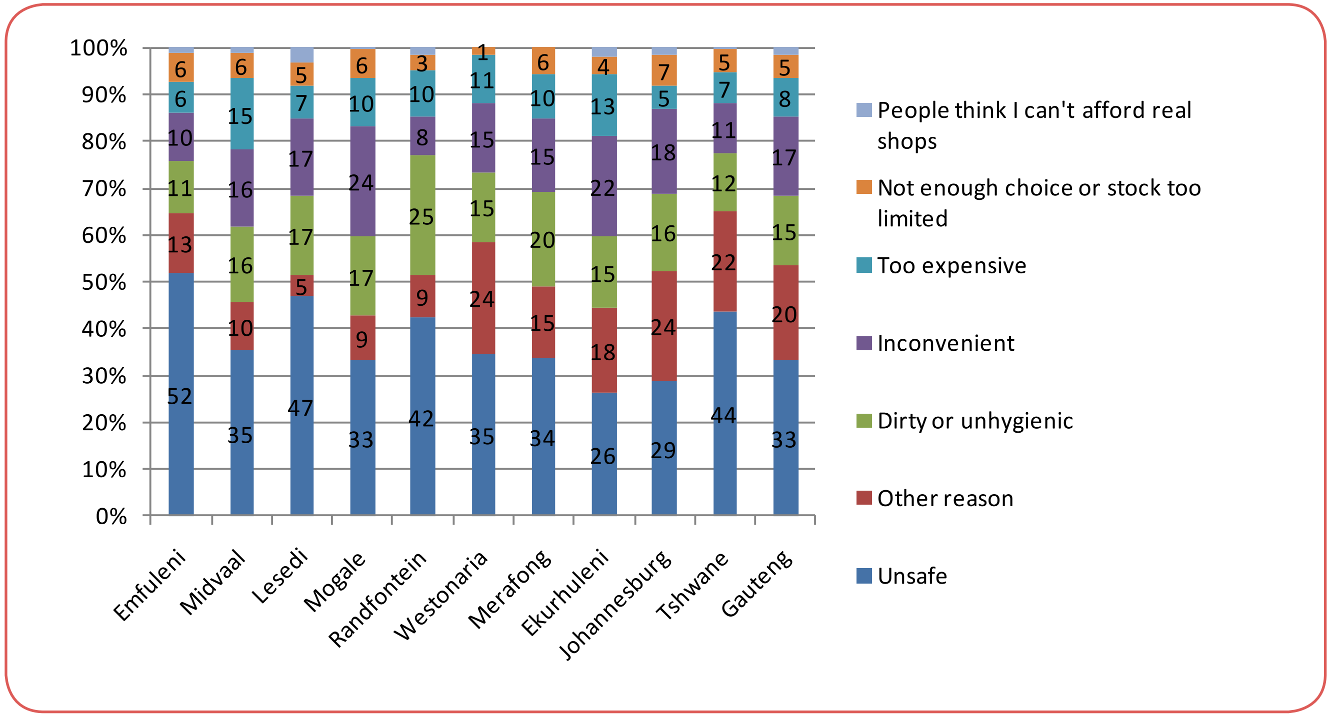


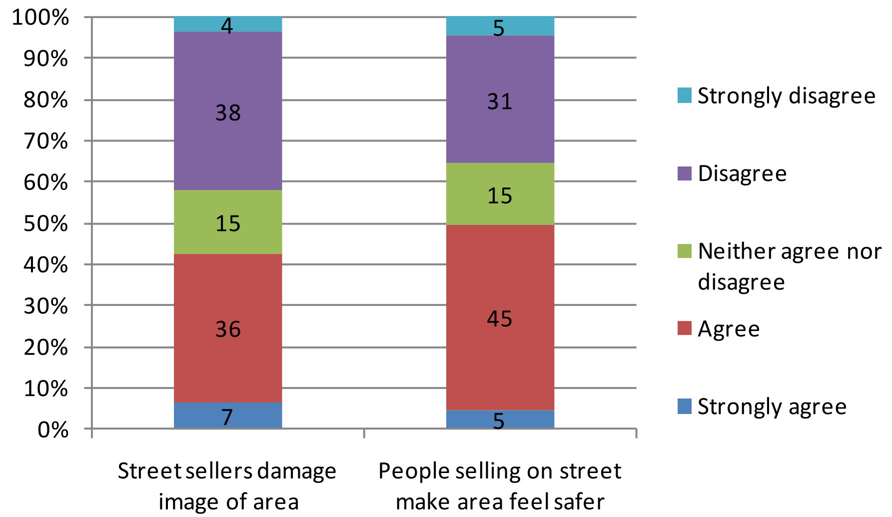
Figure 10: Reasons for not using the informal sector by municipality, 2013 (%)



3.3 Attitudes to street trading

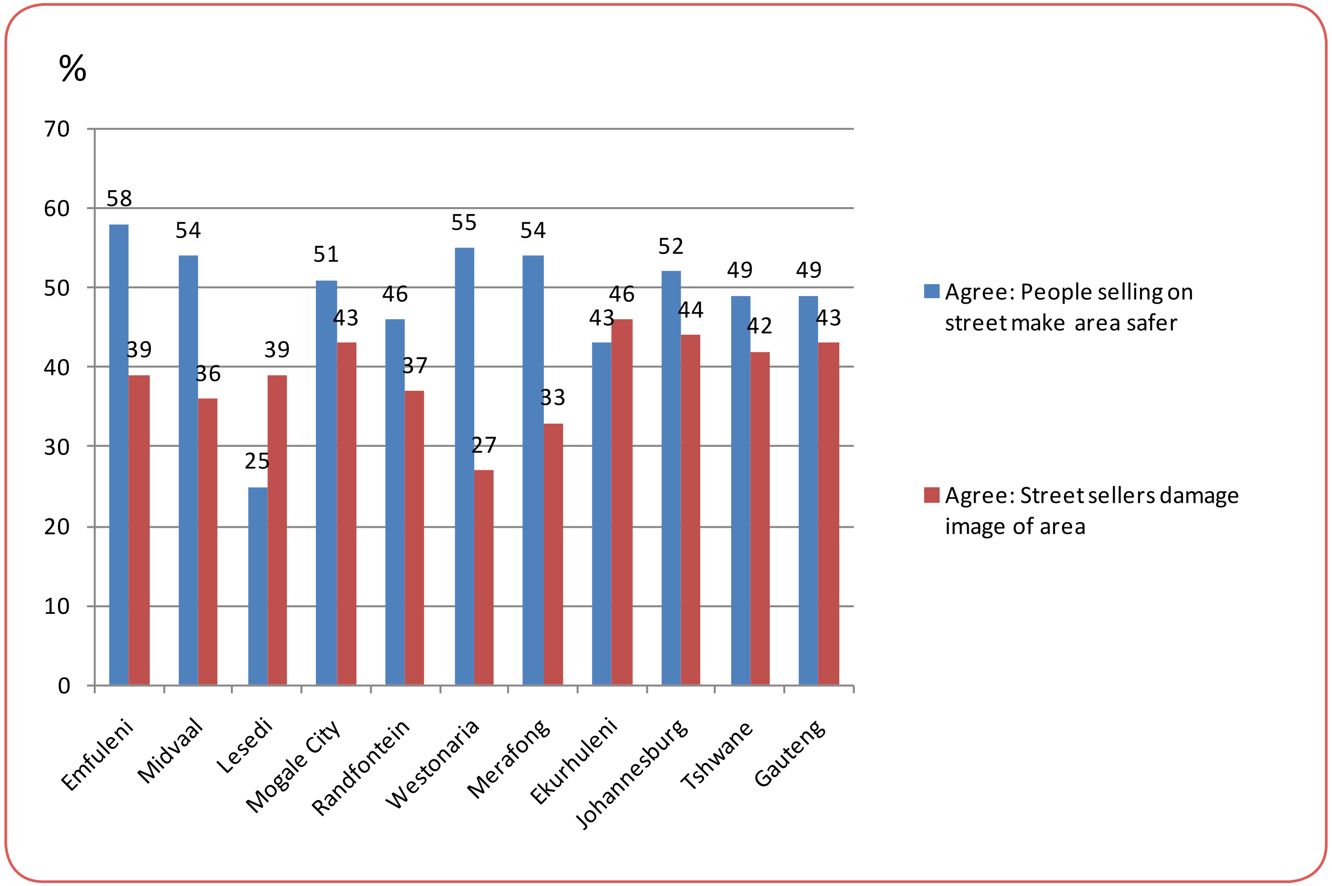
In 2013 and 2014, attempts were made by some metros and municipalities to manage street trading. In the cities of Johannesburg and Tshwane (particularly Pretoria), this has involved removing informal entrepreneurs involved in street trading from the street. The study asked interviewees whether they agreed or disagreed with the statements "street sellers damage the image of an area" and "people selling on the street make an area feel safer". In some ways, the attitudes to street trading expressed by interviewees reflect their use of the informal sector (Figure 11). Respondents were more likely to agree or strongly agree that "people selling on the street make an area feel safer" (50%) than agree or strongly agree that "street sellers damage the image of an area" (43%).

Figure 11: Attitudes to street trading, 2013 (%)



There were differences in the attitudes of residents of different municipalities. Respondents in Lesedi were least likely to think street sellers made an area feel more safe (25%), while residents of Emfuleni (58%) were most likely to think they do (Figure 12). Views of the impact of street selling on the image of an area also varied by municipality, with residents of Westonaria being least likely to think it damaged the image of an area (26%) and those in Ekurhuleni (46%) being most likely to think so (Figure 12). It was only in Lesedi and Ekurhuleni that more respondents thought street sellers damaged the image of an area than thought it made an area feel more safe.

Figure 12: Attitudes to street trading by municipality, 2013 (%)



Attitudes to street selling also varied by race (Table 6). Black Africans were most likely to think that street trading made an area safer and least likely to think it damaged the image of the area. White respondents were most likely to hold opposite views. There was little difference in the attitudes of men and women (Table 6). People living in informal dwellings and operating informal businesses were more likely than those living in formal dwellings and owning formal businesses to think street trading made the area more safe and less likely to think it damaged the image of the area (Table 6).

Table 6: Attitudes to street trading by race, sex, dwelling and business ownership type, 2013 (%)

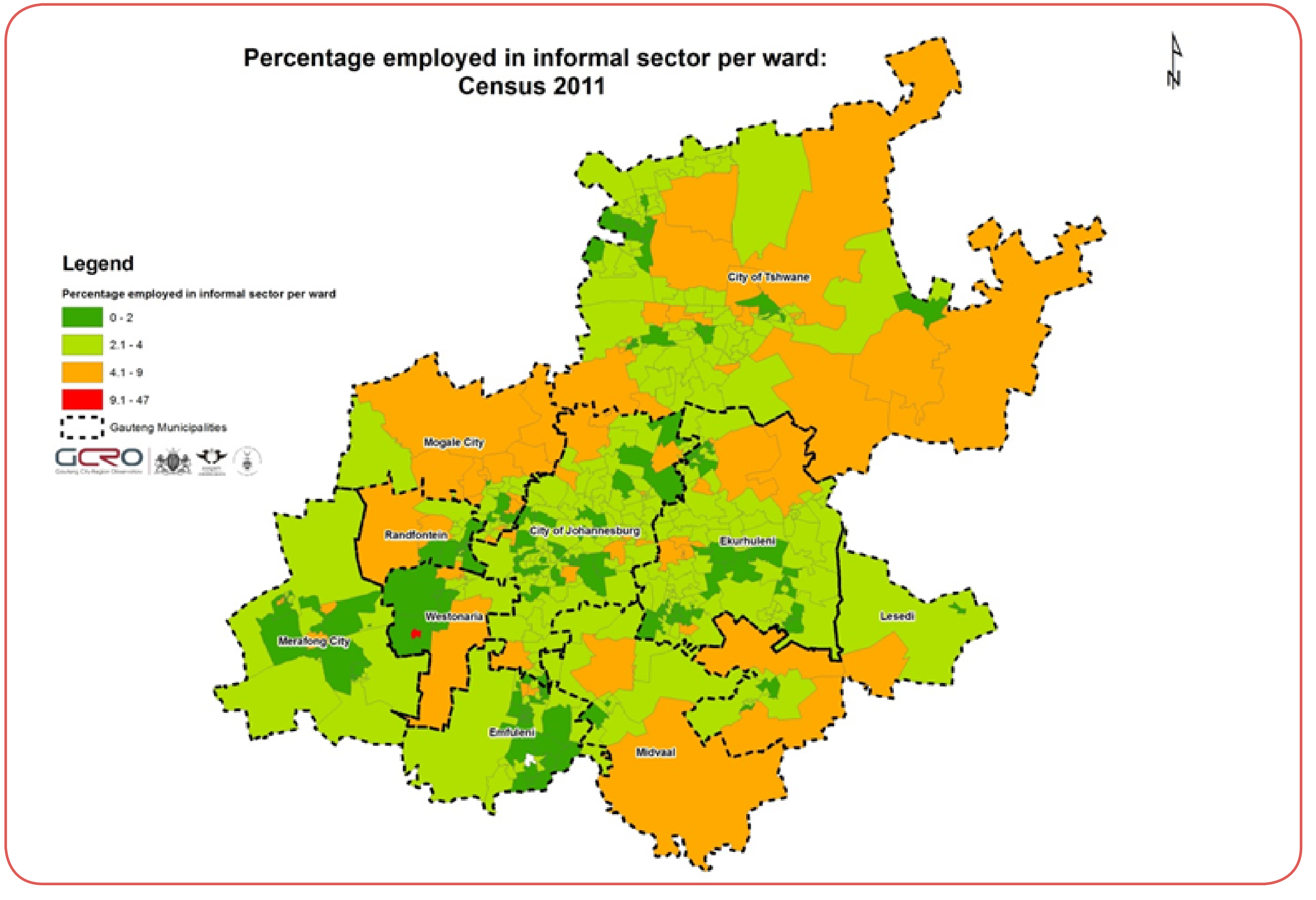
	People selling on the street make the area more safe Strongly agree/agree (%)	Street sellers damage the image of area Strongly agree/agree (%)
Race		
Black African (N=21,039)	54	39
Coloured (N=890)	43	50
Indian/Asian (N=805)	37	55
White (N=4,552)	29	60
Sex		
Male (N=13,881)	50	43
Female (N=13,608)	49	43
Dwelling type		
Informal dwelling (N=3,944)	57	36
Formal dwelling (N=23,092)	48	45
Type of business owned		
Informal (N=1,979)	52	37
Formal (N=1,045)	33	54

4. Informal employment

4.1 Who is employed in the informal sector and where?

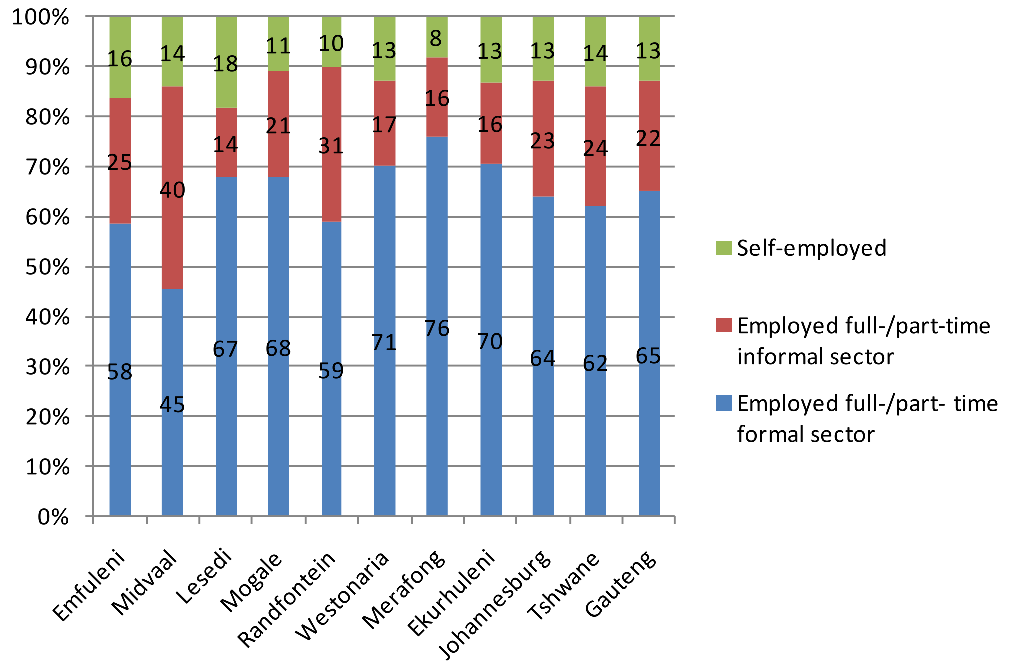
Respondents were asked which sector they worked in. Overall, 65% of respondents worked full-time or part-time in the formal sector and 22% worked full-time or part-time in the informal sector (Figure 13). Some 13% were self-employed. People who are counted as being employed in the informal sector may work for an informal or formal sector business. Map 3 uses Census 2011 data by ward to show where people employed in the informal sector were located. This map includes both entrepreneurs and the employed.

Map 3: Percentage employed in the informal sector per ward, 2011



The QoL III survey found that there were differences in the proportions of respondents employed in the formal and informal sectors between municipalities. Merafong and Westonaria, both mining areas, showed the highest rates of employment in the formal sector (Figure 13). The lowest rates of employment in the formal sector were found in Midvaal. Therefore, not surprisingly, the highest rates of informal employment were found in Midvaal, followed by Randfontein (Figure 13).

Figure 13: Employment in the informal and formal sectors by municipality, 2013 (%)



Women and men showed relatively similar rates of employment in the formal and informal sectors, although a higher proportion of women were found to work in the informal sector (Figure 14). Black Africans were most likely to work in the informal sector and were less likely to have a job in the formal sector than coloured, Indian/Asian and white respondents (Figure 15).

Figure 14: Informal employment by sex, 2013 (%)

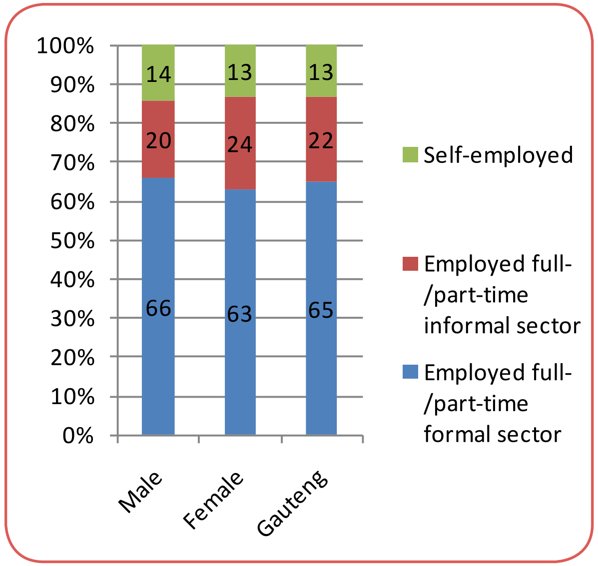
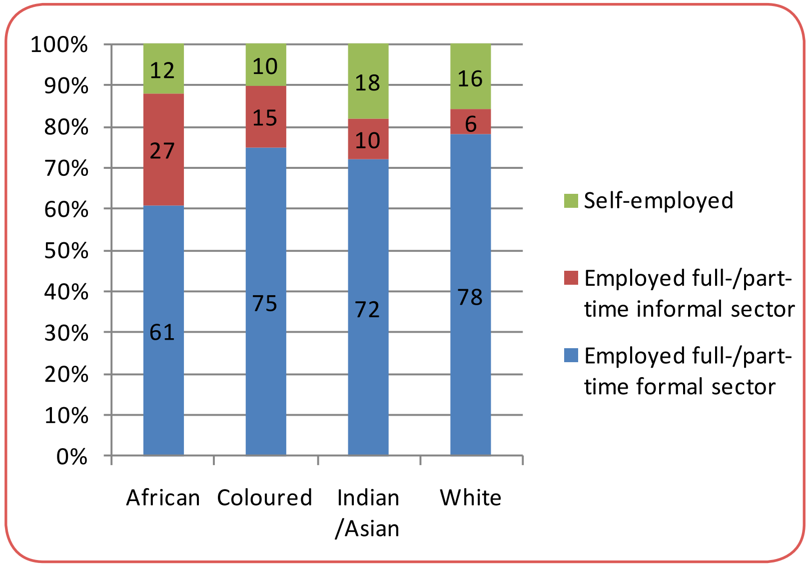


Figure 15: Informal employment by race, 2013 (%)



The largest cohort of people who were employed informally worked in private households (Figure 16). If people working in private households are excluded, the largest single named category of informal employment was community, social and personal services (17%), followed by the construction sector (16%) (Figure 17). 'Other' types of informal employment cited by respondents were multiple and included selling, hair dressing, photography, security, sewing, making bricks, child care and car repairs.

Figure 16: Type of informal employment including private households, 2013 (%)

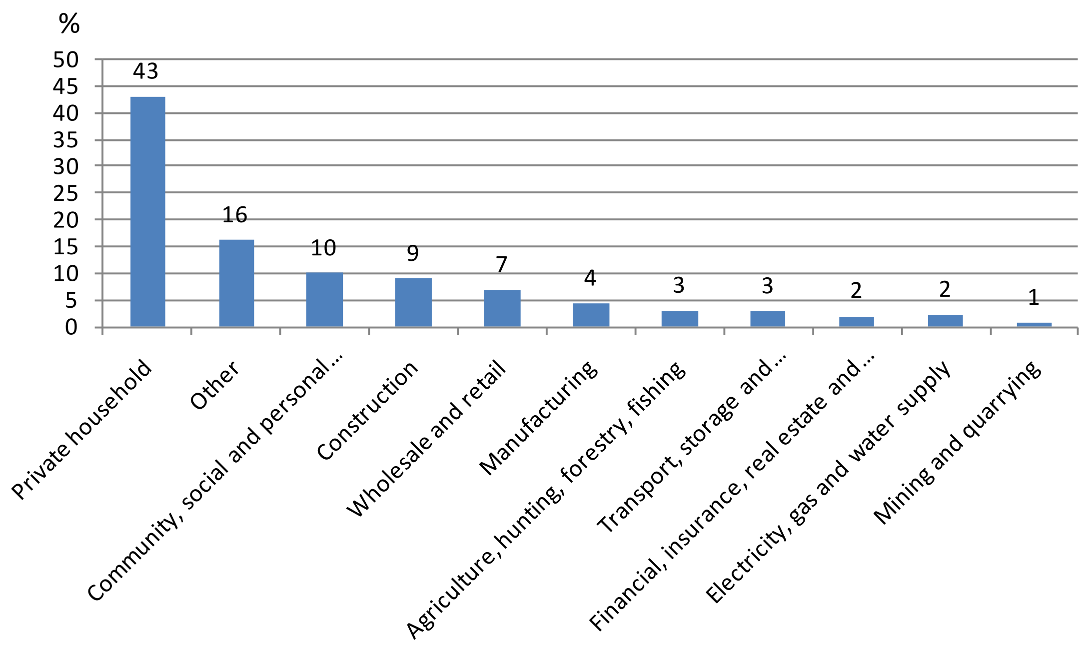
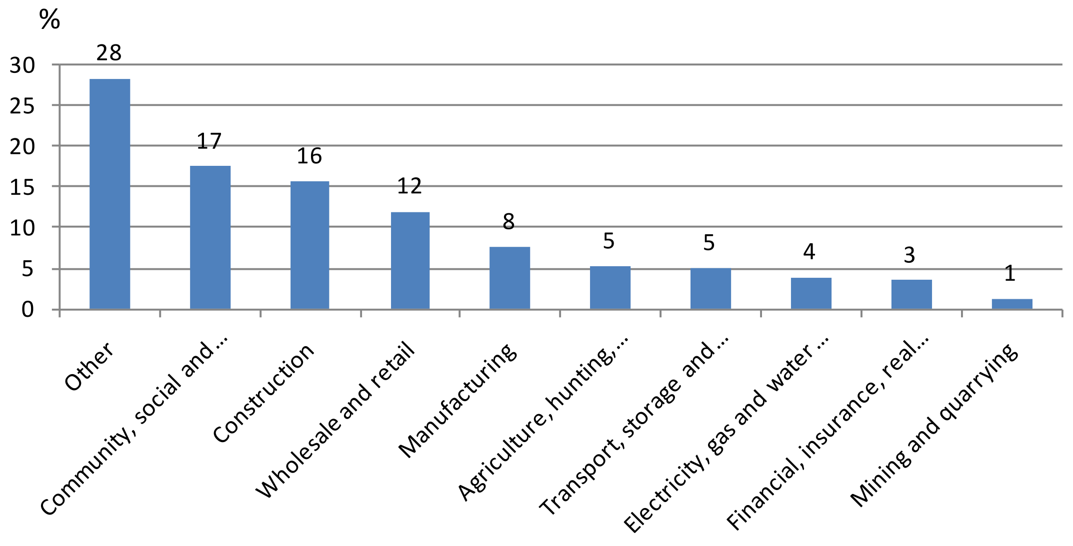


Figure 17: Type of informal employment excluding private households, 2013 (%)



4.2 Informal employment and working conditions

The working conditions of people employed in the informal sector were notably worse than those of people employed in the formal sector. More than half of informal sector employees had no written contract (Table 7). Tables 8 and 9 show that people working in the informal sector, and to a lesser extent part-time in the formal sector, are proportionally more likely to lack salary benefits and leave provisions, and have poorer working conditions than those working full-time in the formal sector. Full-time informally employed workers were also more likely to report that they worked more than 40 hours a week (62%) than formally employed workers (57%) and twice as likely (7%) to say that they worked over 60 hours a week.

Table 7: Type of contract by sector of employment, 2013 (%)

	Employed full-time, formal sector	Employed part-time, formal sector	Employed full-time, informal sector	Employed part-time, informal sector	Total employed
Indefinite contract	55	16	24	7	37
Fixed-term contract	29	34	12	11	22
Temporary post through employment agency	1	14	1	4	3
Apprenticeship or other training scheme	0	1	0	1	0
No written contract	8	22	52	67	28
Other	3	3	6	5	5
Don't know	5	9	6	6	6

Table 8: Salary benefits by sector of employment, 2013 (%)

Salary benefits received	Employed full-time, formal sector	Employed part-time, formal sector	Employed full-time, informal sector	Employed part-time, informal sector	Total
Overtime payments	57	41	25	16	41
Medical aid	49	10	6	2	30
Pension/provident fund	72	28	22	8	47
Performance bonus	39	18	12	7	26
Annual bonus/13th cheque	66	25	31	12	44
Housing subsidy	26	5	3	1	15
Transport allowance	17	9	4	7	12

Table 9: Leave benefits by sector of employment, 2013 (%)

Leave benefits received	Employed full-time, formal sector	Employed part-time, formal sector	Employed full-time, informal sector	Employed part-time, informal sector	Total
Training and education	77	56	28	19	56
Paid sick leave/sick leave	84	46	34	14	57
Family leave	74	34	26	10	49

5. Income from the informal sector

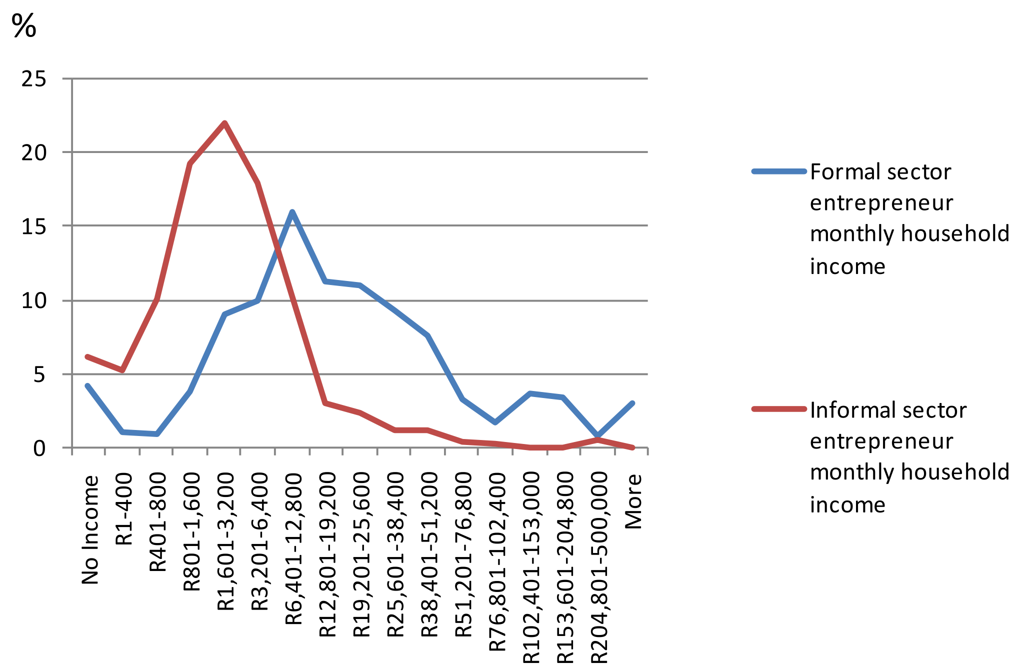
Being active in the informal sector is sometimes perceived as being marginal, with participants eking out survivalist incomes. Yet it appears that the informal sector is an important source of income for many households in Gauteng, and for many participants in the informal sector, the incomes they make are the equivalent of or more than what they could earn if they were employed – even in the formal sector.

When asked about the sources of their household income from all sources and all members of their households, over a quarter of respondents (27%) said their household received at least part of its income from informal employment. This compares with just over half of respondents (52%) who said their households received at least part of its income from formal employment.

5.1 Income and informal entrepreneurship

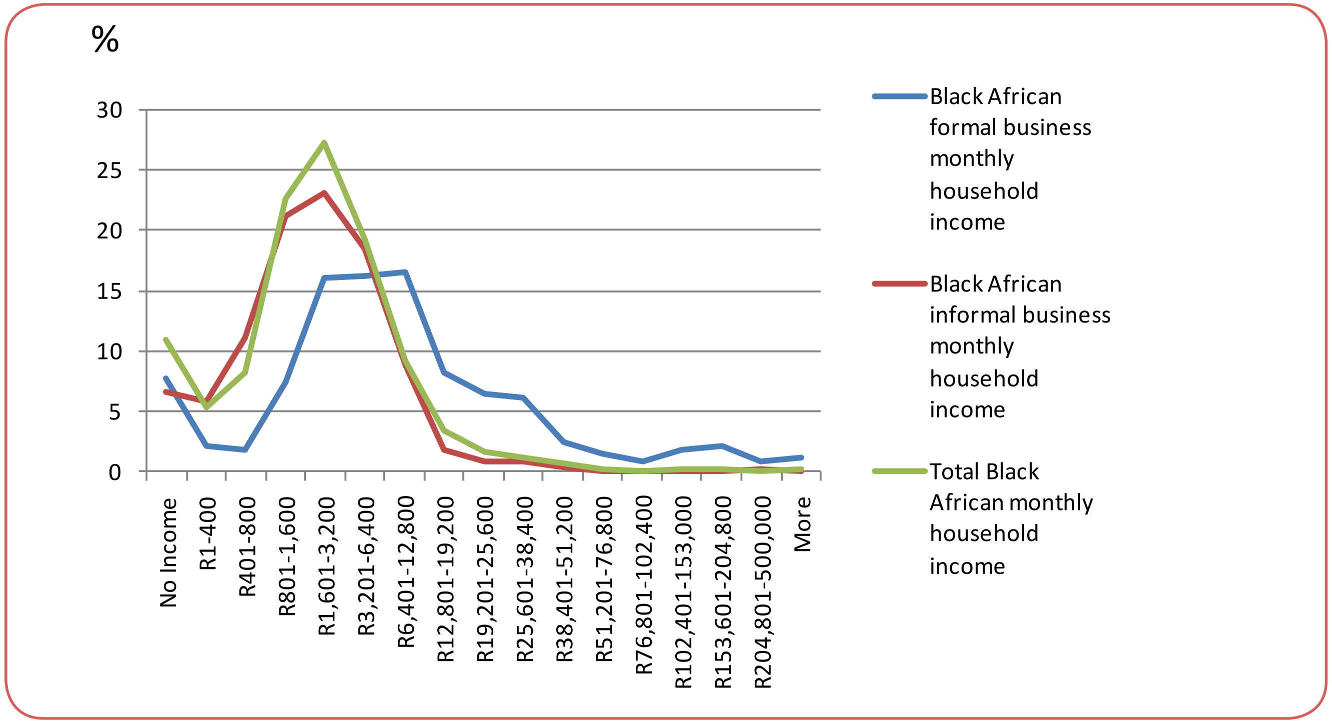
Business owners were not asked about their incomes from their businesses, but, like all respondents, they were asked about the total monthly income into their household by all household members and from all sources. Some 62% of formal entrepreneurs and 75% of informal entrepreneurs responded to the question. Using data only from those who responded to the question, Figure 18 shows that the household incomes of formal sector entrepreneurs were likely to be higher than those of informal sector entrepreneurs. The household incomes of only a small proportion (9%) of informal entrepreneurs was over R12,800 a month, compared with 55% of formal sector entrepreneurs.

Figure 18: Monthly household income of informal and formal entrepreneurs, 2013 (%)



When the monthly household incomes from all sources of black African formal and informal entrepreneurs are compared with the incomes of all black African households, (whether business owners or not) it is evident that there is not a significant difference in the monthly incomes of households with a member who is an entrepreneur in the informal sector and other black African households (Figure 19). However, it shows black African respondents who owned a business in the formal sector were more likely to earn higher incomes.

Figure 19: Total monthly household income for selected black African households, 2013 (%)



The informal sector in housing plays a dual role in the province. First, it provides housing in the form of informal dwellings in informal settlements, backyards and on farms. Census 2011 found that almost 740,000 households in Gauteng lived in informal dwellings (over 305,000 in backyards and almost 435,000 in informal settlements). Residents of these dwellings may own them themselves, live in them rent free or pay rent to the owners. Other dwellings like cottages, rooms and even larger properties may be rented out informally. So the second and most relevant role of the informal sector here is that rented informal and formal housing provides income into households in the province. If such income is not declared, it is considered informal income.

In the QoL III survey, 9.5% of respondents reported that they received income into their household from renting out a dwelling/flat/garage. A quarter of respondents in the QoL III survey who were living in informal accommodation were paying rent. Other rentals take place in cottages and other formal dwellings on formal properties. It is not known if income from these rentals is declared to the South African Revenue Services or banked informally. If a quarter of households living in informal dwellings pay rent, they are likely to provide income to a substantial number of other households. Thus the informal residential rental sector, whether of informal or formal dwellings, plays a role in providing housing and income to households in the province.

5.2 Debt and informal entrepreneurs

Respondents were asked whether they had debt. Formal sector business owners were more likely (50%) than those in the informal sector (30%) to say that they had debt. The survey does not indicate whether the debt was related to their business in any way. However, Table 10 shows that formal sector business owners were more likely to be in debt to own assets such as property and cars. Informal business owners were nearly as likely to have a personal loan from a bank, but much more likely to have borrowed from another kind of institution or person (Table 10). This may mean that this cohort of entrepreneurs were more likely to owe money to *mashonisas* at usurious interest rates. Informal sector entrepreneurs who owed money were more likely than their equivalents in the formal sector to say they could not repay the money they owed (Table 10).

Table 10: Informal and formal business owners and debt, 2013 (%)

Type of debt	Formal sector entrepreneur	Informal sector entrepreneur
Mortgage loan or bond	37	12
Credit card	42	24
Car loan	35	9
Personal loan from bank	27	23
Loan from other person/institution	47	62
Loan from friends/family/stokvel	3	10
Ability to pay back debt		
Owe but cannot pay back	9	24

5.3 Informal employment and income

Respondents in full- and part-time formal and informal employment were also asked about their total household monthly income from all sources and members of the household. Not all respondents answered the question, with 32% of those in full-time formal employment, 25% in part-time formal employment, 27% in full-time informal employment and 17% in part-time informal employment declining to do so. The data obtained from those who did respond to the question show significant disparities in income, with few in informal employment having incomes above R12 800 per month (Figure 20). It is perhaps notable that the household incomes of people in part-time formal employment were similar to those working full-time and part-time in the informal sector. Similarly, there was little difference between the incomes of those who were employed full-time in the informal sector and informal entrepreneurs, although the latter appear to proportionally be likely to have slightly higher incomes (Figure 21).

Figure 20: Total monthly household income by type of employment, 2013 (%)

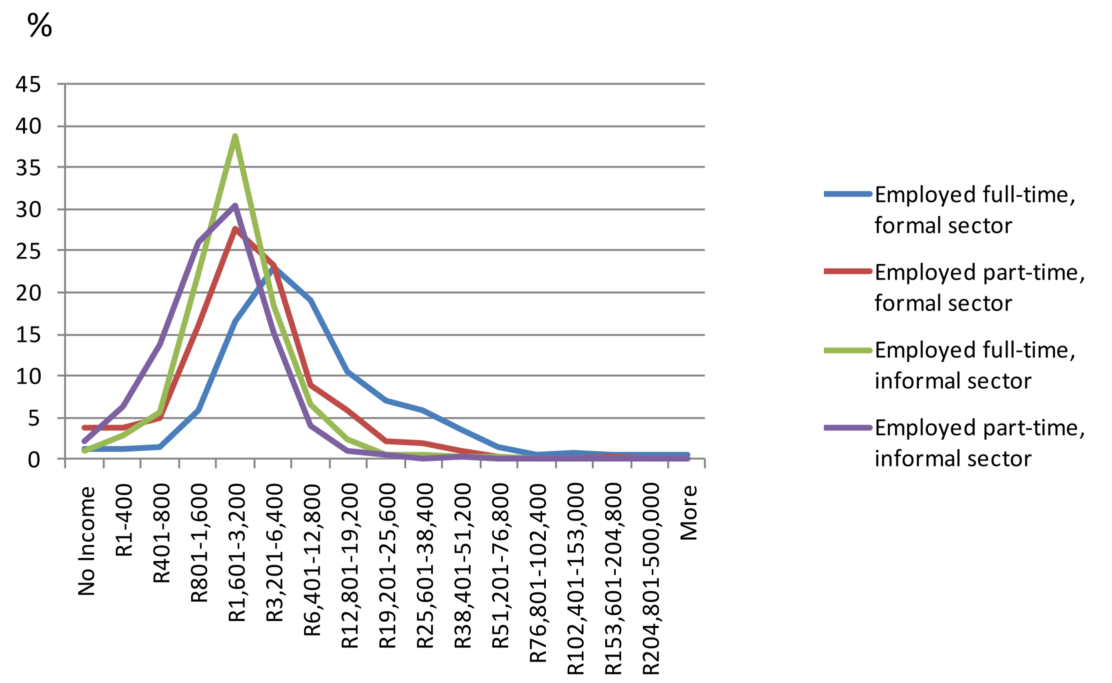
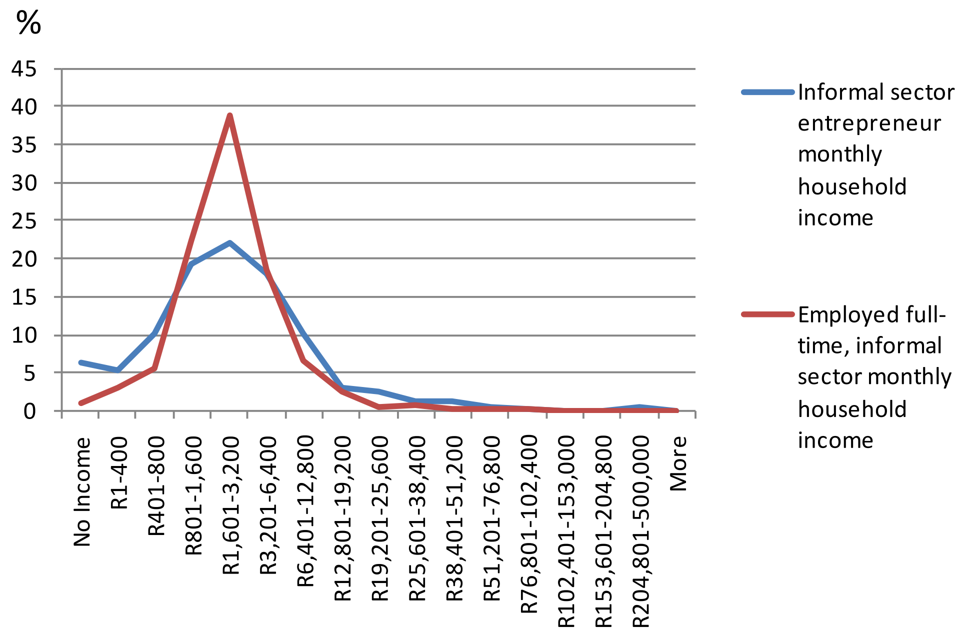


Figure 21: Household incomes of informal sector employees and entrepreneurs, 2013 (%)



6. Conclusion

Data from the GCRO QoL III survey indicate that there is a relatively thriving business sector in the province and that the majority of these businesses lie in the informal sector. This suggests that efforts to develop the SMME sector as envisaged by national, provincial and municipal governments should ensure that these initiatives encompass informal as well as formal sector businesses. New inclusive initiatives will be needed, as very few business owners in the formal or informal sectors said they had ever approached a government department or agency that supports SMMEs (6% to 12% in the formal and 3% in the informal sector). That so few informal or formal sector entrepreneurs had ever approached a government agency for support suggests a different approach is needed to providing support to SMMEs, especially those in the informal sector. Data on incomes and debt suggest that facilitation of the capitalisation of informal enterprises to enable them to survive and expand should be explored.

The survey has shown that the types of entrepreneurial activity undertaken by people operating in the informal sector encompasses retail and wholesale trade, the provision of services as well as the making and manufacturing of goods. Further enquiry as to the activities of those who make and manufacture goods could assist in better understanding how this group of informal entrepreneurs could be included in plans to re-industrialise the economy and to grow township economies.

Information gathered from the QoL III survey on the predominant types of business and types of goods bought in the informal sector, combined with the reasons given for buying from the sector by users, suggest a need to interrogate the relationship between the informal sector and food security in the province. This is because food proved to be the largest category of informal business and the largest category of goods bought from the sector, and good prices and affordability were the main reason by far given for buying from the informal sector. The other main reason given for buying from the informal sector was the convenience of the location. This is certainly something to be considered, as some municipalities look to concentrate informal sector operators in single spaces. For those that did not use the informal sector, their concerns lay around safety, inconvenience of the location of informal sector outlets as well as cleanliness. These concerns also need to be recognised in municipal plans.

Notwithstanding the concerns of some respondents, the informal sector provided a place of consumption for the majority of interviewees. This may be reflected in their attitudes to street trading. Thus a higher proportion of respondents in the survey thought street trading makes the area feel safer than thought it damaged the image of the area. These different opinions indicate that policy makers need to tread a fine line when developing street trading policies which accommodate the shopping needs of residents, their sense of security as well as the image of areas where street trading takes place.

Informal employment as opposed to informal entrepreneurship raises a different set of questions regarding the security, incomes and working conditions of these residents. The data from the QoL III survey show that those who are employed in the informal sector or who are informally employed have significantly poorer working conditions. Better understanding of why people are employed informally, and where, would assist in the development of policies and laws to protect informal sector employees and to better their working conditions and increase their employment security.

The data on incomes for black African households suggest that although informal sector entrepreneurship is often seen as a marginal economic activity, the monthly incomes of households where the respondent owned an informal sector business were similar to black African households in general. This may say more about levels of black African incomes in the province than incomes in the informal sector. As the majority of respondents, including black Africans, were employed in the formal sector, informal employment cannot account for this disparity in incomes.

The data from the QoL III survey show that there are differences by municipality in informal sector entrepreneurship and employment. Bringing down the scale of analysis to more local levels would allow for a more nuanced approach to policy making, to enable better planning, management and protection of the livelihoods of those operating in this sector – as well as the creation of opportunities for people to expand and develop their businesses.

Some municipal governments, notably the cities of Johannesburg and Tshwane, have undertaken activities in the past year to remove informal traders and service providers from street trading. This can be seen by some to have had a negative effect on affected entrepreneurs and runs counter to the attitudes to street trading of a small majority of respondents in this study. The results of the QoL III survey may assist municipalities in re-thinking their policies regarding street trading and informal economic activity.

Returning to the words of the Gauteng Premier in his State of the Province address regarding the development of township economies and SMMEs that meet the needs of residents, the QoL III survey shows that there is a cohort of entrepreneurs delivering goods and services to residents of the province, particularly in townships.[7] They appear to play a particularly strong role in providing food. However, these entrepreneurs are not accessing existing government schemes to support SMMEs. It is hoped that this data have contributed to these debates and policy development, and highlighted key areas that need further research and intervention to facilitate entrepreneurial and economic development in the province.

The GCRO, in conjunction with the African Centre for Cities and the Southern African Migration Programme, is in the final stages of completing two new surveys which will provide more nuance and detail to the issues raised in this Data Brief. The first investigates the activities of informal sector entrepreneurs in the Gauteng city-region, with a focus on selected places in Gauteng, including the City of Johannesburg. South African and cross-border migrant entrepreneurs have been interviewed. The survey will provide information on capitalisation, business practices – including the employment of others – and problems business owners face in running and growing their businesses.

The second survey which has been undertaken in conjunction with the same organisations as the first survey, as well as with the University of Eduardo Mondlane in Maputo, explores the activities and business practices of small-scale or informal sector cross-border traders, and the contributions and costs of their activities to the economy of Gauteng.

[7] *Ibid.,* p. 8.