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THE INFORMAL SECTOR IN KWA-MASHU

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DOCUMENT AND MEMORANDUM SERIES

Centre for Applied Social Sciences

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THE INFORMAL SECTOR IN KWA-MASHU

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Dissertation submitted in partial fulfilment
of the requirements for the Degree of Bachelor
of Social Science (Honours) in Applied Social
Sciences, in the Centre for Applied Social
Sciences, University of Natal, Durban.

February 1985

CASS thesis / 22 industry

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INTRODUCTION

"While unemployment is in itself a serious enough problem, and it is necessary to mention only briefly implications such as social and political instability; individual misery; demoralisation and loss of skills through lengthy unemployment and waste of manpower resources, it can be shown that the link between unemployment on the one hand, and poverty and inequality on the other, underlies nearly all the major developmental problems facing South Africa today." (D.DeWar and V Watson 1981 : 22)

Many social and economic planners see the informal sector as one means of creating employment and thereby alleviating the above-mentioned poverty.(1) Strategists therefore believe that this sector is an important component in any developmental policy and consequently must be utilized. The purpose of this research is to examine the usefulness of the informal sector in contributing towards development and to assess the importance of its role in the lives of African township dwellers.

1.1

TOWARD A DEFINITION OF THE INFORMAL SECTOR

Maasdorp 1978 notes that the informal sector has been defined in a number of different ways and that these varying descriptions have lead to

considerable / ...

(1) According to Jill Nattrass poverty stems from the continued economic under-development of the homelands in South Africa; influx control; discrimination and growing levels of unemployment and under employment as a result of too slow a rate of job creation in comparison to the population growth rate. (J. Nattrass 1983 : 12)

considerable confusion. Two broad categories of definitions exist :

- (a) The dualistic definitions which stress the individuality and separateness of the formal and informal sectors. In 1972 the I.L.O. illustrated that an informal sector operation could be distinguished by : ease of entry, its reliance on indigenous resources, family ownership, the small size of the operation, use of labour-intensive and adaptive technology, skills learned outside the formal education system, and an unregulated and competitive market.

- (b) The continuum approach on the other hand, sees the economy as a whole in terms of a continuum of activities, from stable wage labour on the one side to informal self-employed persons on the other. It has been noted that the advantage of this type of approach is that it makes provision for the gradual change-over and phases between the pure informal sector and the pure formal sector. (Department Manpower 2000 Report 1984)

None of these approaches, however, are completely satisfactory as it still remains difficult to identify this sector. If one of the defining characteristics of an informal operation is its size (noted for its smallness - not employing more than ten people) then "the entire economy of certain platteland towns in South Africa must be considered as informal". (Maasdorp and de Beyer 1983 : 19) This, as Maasdorp points out, is a

ridiculous / ...

ridiculous suggestion. These businesses may be small-scale and form part of the self-employed sector but they are licensed and subject to governmental taxation and they are officially recorded.

An adequate definition of the informal sector has been provided by Maasdorp in 1983 when he noted that informal operations "... are not recorded by official returns incomes earned are not disclosed." (Maasdorp 1983 : 19). The informal sector should be seen as a "sector that is operated in stealth because it contravenes regulations of one sort or another ... goes against standards of behaviour patterns." (Maasdorp 1983).

1.2

A BRIEF ENTRY INTO THE REFORMIST/REVOLUTIONARY DEBATE

Two distinct schools of thought regarding the role and function of the informal sector in the developmental process exist. The reformist school (supported by the I.L.O. and World Bank) sees the informal sector as having a vast potential for the creation of employment and the stimulation of growth. Consequently, it believes that governmental aid should be provided to stimulate this sector. The Marxist School, (revolutionary approach) on the other hand, focuses on the structural relationships between the formal and informal sectors. Two different positions are adopted in this school. Some theorists regard those individuals who engage in informal operations as belonging to a marginal pole (2). These individuals act as a reserve army of cheap labour, production costs are thus kept to a minimum,

facilitating / ...

(2) Marginal sector - part of the economy characterized by lack of stable access to resources and activities.

facilitating capital accumulation in the formal sector. Marxists regard the development of this sector as a threat, its expansion must be restricted for fear that it might develop into a capitalist class. Irrespective of whether it can generate growth and employment the development of this sector should thus be discouraged. Other theorists, neo-Marxists, argue that the informal sector is subordinated to the formal sector through direct links which enables the formal sector to extract a surplus from the informal sector. As Maasdorp notes "these writers would give ironical assent to the suggestion that the most important outcome of the I.L.O. work is a reconsidered attitude to the informal sector as an integral and valuable part of the urban economy". (Maasdorp 1983 : 13)

Since this thesis is not concerned with the morality of ideological structures (i.e. a socialist versus a capitalist social system) but rather with the problem of poverty and lack of development, (prevalent in most third world nations) any practical means that might help to alleviate these problems should therefore be considered. During the course of this long essay an attempt will be made to illustrate that the informal sector not only serves as a strategy for survival for the (in many cases) poverty-stricken African urban workforce but that this sector can be used or contribute towards a policy of self-help. Poverty would thus be reduced, employment created and the process of development would thereby be initiated. My working hypothesis was thus : the informal sector is a useful developmental tool and is used by many African urban dwellers as a means of earning a living (i.e. sole source of income).

1.3

WHAT IS "DEVELOPMENT"?

Writers generally agree that development entails a number of different components : it entails a reduction in poverty, increased political participation, increased access to economic resources, a reduction in the difference in life-styles between the poor and the rich, improvement in human capability through the provision of education and health care, increased self-sufficiency at the community and national level, improvement in quality of life for the majority, social change and finally, freedom of choice. (Robinson 1962 in J. Nattrass 1983)

The definition provided by Seers 1972 is, however, perhaps one of the most widely accepted definitions of this concept : "Development entails creating conditions for the realization of human personality. Its evaluation must therefore take into account whether there has been a reduction in (i) poverty, (ii) unemployment and (iii) inequality. (Seers in J. Nattrass 1983 : 2)

1.4

AREA WHERE STUDY WAS CONDUCTED

Kwa-Mashu is an African township situated approximately seventeen kilometres to the north east of the Durban city centre. In 1977 Kwa-Mashu was incorporated into the Kwa-Zulu homeland and the Kwa-Zulu Government consequently administered the township. The township covers an area of approximately fifteen square kilometres on hilly terrain and is divided into thirteen neighbourhood 'sections' (listed alphabetically from A - M). Current population estimates for Kwa-Mashu are about 180 000 people (estimates obtained from township manager).

In 1978 it was established that Kwa-Mashu consisted of about 15 400 family dwelling units accommodating 126.129 persons giving an average of about 8.2 persons per unit, 669 hostel blocks were also in existence. The population in 1978 was about 14 009 (the population is considerably in excess of official figures). Most of the houses have four rooms but a considerable number only have two rooms or are double roomed units. According to a 1978 report, all houses are supplied with water, however, a very low percentage are supplied with electricity.

According to officials (that were interviewed) 80% of the people who live in houses actually own them. Average rents per month (1984 estimates) are R11,40 for a four-roomed house and R7,27 for a two-roomed house (monthly). An additional R4,00 levy for services is charged.

The *raison d'etre* behind the rather austere physical design of Kwa-Mashu (small, mass-produced, tightly-packed houses, few sidewalks, parks, etc.) is to discourage people from establishing permanent homes in the township. Migrants are thus made more aware of the fact that their permanent homes lie not in the urban area but rather in the predominantly rural homelands. The design of the township thus cleverly facilitated the process of influx control.

It is, however, in these oppressive conditions where the informal sector thrives (conditions being : mass-unemployment, over-population, poverty). As one local businessman in Kwa-Mashu pointed out "the police arrest thousands every day for participating in illegal activities but every day thousands more people become involved in such illegal businesses".

2.

LITERATURE REVIEW

As mentioned earlier in the general introduction, two broad schools of thought describing the function and role of the informal sector exist : the reformists and the revolutionaries. During the course of this review some authors' views in each school will be elaborated upon. In so doing it is hoped that a clearer conceptualization of the controversy surrounding the informal sector will be achieved.

One of the first persons to take notice of the informal sector was Todaro. He pointed out that a large proportion of the urban labour force is not absorbed in the modern formal sector but rather constitutes a "traditional" (informal sector) of the unemployed or under-employed (Todaro 1969 in Thin and Black 1980 : 15). Todaro noted that the origins of this sector were found in the process of rural/urban migration. Todaro viewed this migration as having two stages (in economic space). The first stage consisting of a physical move to an urban area and a period of waiting in the traditional sector; the second stage was reached when individuals found permanent employment in the formal (modern) sector. Todaro adopted an unfavourable attitude toward the informal sector but conceded that despite its negative side, it is often a major source of urban employment and economic activity.

M L Truu 1980 (13) points out that recent research findings show that between 25 - 70% of all urban workers in numerous African, Asian and Latin American cities belong to the informal sector. Trim adopts a dualistic standpoint noting that this sector represents a more or less "comprehensive system existing side by side with the formal sector of the economy, with

which it / ...

which it maintains connecting links of varying degrees of strength and cohesion". (M L Truu 1980 : 13)

Truu notes that comparative scarcity and high pricing resulting from prevailing market imperfections in the formal sector are the pre-requisites for the production of substitutes capable of satisfying a given want by informal sector entrepreneurs. Truu notes that despite the fact that the informal sector might be dependant on and to a degree determined by the formal sector, the two sectors tend to complement each other. The net effect of this complimentary kind of relationship between the two sectors is that the informal sector supplies extra units of a good standard at a comparatively low price which would otherwise not have been available at all. This line of thought could also be extended to the labour market where comparatively high wages and limited opportunities for employment in the formal sector would then serve to create (less well paid) job opportunities in the informal sector (this is a far cry from saying that the function of the informal sector is to supply cheap labour to formal sector enterprizes).

Truu and Black (1980 : 23) believe that apart from producing new goods and services without diminishing the supply of existing ones informal operations also serve to improve economic efficiency by using unwanted or scrapped formal sector goods either for consumption or as productive inputs (e.g. the utilization of agricultural products which farmers don't wish to market and also capital equipment which although seemingly written off (informal enterprizes) might still contain serviceable parts capable of adaptation to relatively simple production techniques. One can thus see that the informal sector often serves to neutralize some of the waste

occurring within the formal sector of the economy.

The informal sector also serves as a training ground for entrepreneurship. "It is now increasingly recognized that many under-developed countries may be held back; not so much by a shortage of savings as by a shortage of skills and knowledge resulting in the limited capacity of their organizational framework to absorb capital in productive investment." (M L Truu and P A Black : 1980 : 24) Truu also points out that the informal sector acts at a kind of stabilizer in the economy - expanding during times of depression and contracting when a boom in the economy is experienced.

Truu lists the major disadvantages or problems of the informal sector : (many of these problems and disadvantages were confirmed in my findings) deficient infrastructure and credit facilities; high risk of business failure; harrassment by authorities; unhealthy working conditions etc. The informal sector also suffers from the fact that there is limited scope for specialization and realizing economies of scale.

Given the rudimentary state of the informal sector Truu notes that government policy should be directed towards promoting institutional change and infrastructural investment (the two sectors of the economy should be more closely tied to each other i.e. more co-operation). Authorities should also create a more favourable and organized working environment for such markets. It is in this way that official policy would most contribute to helping the informal sector. This strategy would give the informal sector a momentum of its own and could be more efficiently used as a tool in the developmental policy.

Truu notes / ...

Truu notes that the argument that the informal sector merely entrenches colonialism is polemical rather than helpful " ... no political reform or revolution can reverse the relationship between the multiple needs and scarce resources, or render production and distribution completely independent of each other". (Truu and Black 1980 : 27)

A reformist perspective was also adopted by the I.L.O. (International Labour Office) in their 1970 - 72 reports which focused on employment conditions in Kenya. The Kenyan Employment Commission (comprising of the I.L.O. and U.N.D.P.) believed that the informal sector had a major role to play in developmental strategies and policies. It was felt that the benefits of developmental strategies took a long time to trickle down to the poorest sections of a community, the informal sector could thus be used as a tool to ensure that these benefits actually reached the poorer sections of the community (and hence stimulate development in these poorer sections).

It was felt that effective development needed to be focused on a 'target' population, hence the Employment Commission decided that the most important target group in urban areas was the informal sector operators. It was noted also that besides promoting employment and equitable income distribution it would also lead to a more efficient allocation of resources (as far as the Kenyan case study was concerned).

The I.L.O. found that a substantial proportion of the African urban labour force was employed in small, unregistered businesses, these businesses usually had earnings much lower than earnings in the formal sector (as will be seen later, this latter point is in slight contradiction with findings

drawn from the Kwa-Mashu study). It was also found that a disproportionately large percentage of additions to the urban labour force (resulting usually from rural-urban push and pull forces - migration) tended to be absorbed in such operations. The informal sector is viewed as playing a positive role in development because it provides goods and services of value to the economy (also provides them at a minimum cost because of the free entry of new enterprises to this sector, and hence competitive conditions of supply).

The informal sector, however, is also seen to have a number of limitations or constraints, these mainly pertain to its size (its smallness) - e.g. lack of managerial/technical skills etc. As a result of this operators in the informal sector are unable to exploit successfully economic opportunities open to them by the general development process. Extension services should thus be made available so that necessary skills can be taught at all community levels and also to ensure people have easy access to advice and information relevant to their particular operation. It was also felt that restrictions and laws imposed by the government also inhibited the development of the informal sector. By eliminating market imperfections and improving the policy environment in which informal operations operate, it is believed this sector of the economy will attract more resources from the rest of the economy (formal sector) and thereby raise its level of productivity and employment. Generally speaking, the I.L.O. was interested in finding ways and means of strengthening the links between the formal and informal sectors of the economy and deplored any hostile attitudes the authorities showed towards it.

Generally speaking many theorists in the reformist school believe that

conditions under which trading licences are administered should be relaxed. Trading licences which require businesses to satisfy certain codes of conduct and abide by building and health regulations are another major barrier to informal operators. Many theorists in this school believe that certain conditions should be relaxed so that the licence would function mainly as a monitor gauging the developments in the informal sector. Reformists also believe that training programmes and loan facilities should also be made available to informal operators. The objective of this funding or loan facilities (made available by the S.B.D.C.) would be to help recipients increase their stock, buy, improve or extend their tools, machinery and premises, buy or hire transport etc.

A final component put forward by reformists in their proposals to stimulate the informal sector would be to monitor the informal sector through registration and survey in order to identify trends and modify assistance programmes accordingly.

In sharp contrast to the reformists, the radicals (Marxist orientation) argue that the informal sector should be conceptualized as a specific form of production and reproduction which is 'dependant on; integrated with and subordinated to the capitalist mode of production, which therefore determines the 'space' in which the informal sector may develop'. (P A Wellings and M O Sutcliffe 1984 : 3) It is also argued that the informal sector is undergoing a process of 'conservation and dissolution' so that it remains at some optimal size that is determined by its relationship with the formal capitalist sector.

Some of the reformists' proposals to develop the informal sector have come

under harsh criticism by the 'revolutionaries'. It has been noted that most of the proposals for developing the informal sector stem from or are influenced by the I.L.O. recommendations with respect to Kenya and Zambia. Bromely and Gerry criticize the I.L.O. recommendations by stating that most studies conducted by the I.L.O. on informal sector development exhibit a weak understanding of it which stems from a failure to "advance theoretical and empirical analysis beyond the classification of activities and identification of target groups". (Bromely and Gerry 1979 in Wellings and Sutcliffe Development and Change Vol. 15 1984 : 14) This resulted in a tendency to glamourize the informal sector and over-estimate the role it can play.

Leys points out that it is wrong to assume that informal sector activities provide incomes which are comparable to incomes earned in the formal sector; for the most part the informal sector is a "system of intense exploitation of labour, with very low wages and long hours underpinned by the constant pressure for work from the reserve army of job seekers" (Leys 1970 in Wellings and Sutcliffe 1984 : 15) Few households survive only on informal sector earnings and general income levels are low.

Despite low capital requirements to begin and expand with, the potential for generating employment in the informal sector does not seem great. Wellings and Sutcliffe point out that in Kwa-Mashu there was a mean of 1.1 employees per business. Similar findings were encountered in this short piece of research.

Theorists adopting the Marxist orientation also believe that some of the proposals to develop the informal sector are based on misconceptions as to

how it functions. Wellings and Sutcliffe 1984 believe that the informal sector exists as a kind of 'stopgap' catering for those areas in the market where the formal sector is unable to reach. The main reasons for this being that formal goods and services are often less competitively priced with respect to informal alternatives, formal goods are also sold in larger quantities. In addition, they are also usually orientated towards the tastes of different socio-economic groups and dispersed from suppliers which are inconveniently located in relation to many sections of the community. Radicals point out that proposals put forward by the 'Reformists' (e.g. I.L.O. : Cross and Preston-Whyte) to inject capital into the informal sector (informal operations run on a low level of capital) are based on a poor understanding of the mechanisms behind informal operations. Radicals maintain that if capital is injected into informal businesses through provision of premises, acquisition of capital assets, or transformation of cash into working capital, one would expect these businesses then to expand turnover and generate higher profits in order to accommodate rising overheads, depreciation of assets and pay off loan and capital interests. The problem, however, is that the market which the informal sector traditionally supplies isn't unlimited. Expanding informal operations will thus be forced either to compete with fellow colleagues in the informal sector or attempt to gain a slice or share in the formal sector market. One might thus see a reduction in the number of informal businesses and possibly a decline in the general level of formal employment as the capital to labour ratio rises. Alternatively, successful informal businesses might move out of the informal market altogether, leaving spaces which other operators could fill. Wellings and Sutcliffe (1984 : 19) point out that while the latter course may have a slight positive impact on informal businesses, there is a strong possibility that informal businesses

would be / ...

would be unable to compete successfully with formal established outfits. Both courses would generate greater inequality in the informal sector. (See Wellings and Sutcliffe 1984 : 19)

Radical theorists believe that the informal sector should not be stimulated mainly because of the fact that the formal capitalist sector uses it as a tool to maintain inequality and further its own ends towards capitalistic gain. It is believed by the radicals (Marxist or neo-Marxist orientation) (Le Bruin; Gerry 1975, Brenfield 1975/ Forbes 1981) that the modern or capitalist sector keeps the informal sector in a state of conservation/dissolution : the informal sector should not become so large that the rising cost of labour begins to have a significant effect on wages (in the formal sector) and that it becomes competitive in the formal sector market. The informal sector should pose no threat to the formal sector and should be kept in a state of dependancy and subordination (dissolution). Thus, the logic behind conservation/dissolution dictates that the informal sector is maintained at some optimal size " ... reforms in favour of the informal sector are impractical without a prior shift in political power". (Sandbrook 1982 in Wellings and Sutcliffe 1984 : 31)

3.

METHODOLOGY

As a result of the time limitations imposed on the project it was decided to limit the sample size to forty-five subjects. It was initially believed that the sample would be drawn from one particular area; however, the sample selection method made this impossible. A 'snowball' non-probability sample was used in the study. The selected unit of analysis, the individual and consequently the lack of an adequate sampling frame (for a

random / ...

random sample) necessitated the use of such a sample selection technique. Initial contacts were chosen more accidentally than purposely. Three interviewers were chosen, few criterion were used for their selection (they obviously, however, had to live in Kwa-Mashu and have a reasonable understanding of the English language. It was decided that the unit of analysis should be the individual as this would enable me to cover all categories of informal sector activities (production, services, selling). The above mentioned unit of analysis would also serve to streamline the research (keep the fieldwork and subsequent analysis simple). This streamlining was necessary, given the time and financial limitations of the intended research.

A distinction between various informal sector activities was made (i.e. sales, production and services) as it was felt that in so doing a greater insight and more detailed results would be obtained about informal operations. Comparisons between the various types of activities could be made and clear categorization of various informal operations would facilitate the comparisons (i.e. popularity; earnings; sex ratio; age; place of work; etc). Previous studies on the informal sector also tended to make such distinctions (Maasdorp 1983) - it was thus felt prudent to follow suit.

Using the 'snowball' technique of gathering a sample my interviewers (and myself at times) located 'initial' informal operators. As time passed these 'initial' informers told us where other informal operators were located and hence we gathered our sample of forty-five subjects.

All the subjects in the sample were interviewed thus - a formal

questionnaire was compiled for this purpose. The questionnaire was divided into three main sections : background data; socio-economic variables and finally 'field' of informal activity engaged in. Part '3' of the questionnaire was thus subdivided into three further categories : questions pertaining to services, sales and production.

Questions relating to background information and socio-economic variables included : number of years in residence in Kwa-Mashu, number of dependants living with subject, sex, age, education level, job type specification in the formal sector, monthly or weekly income from formal sector employment or pension etc. Finally, the contribution of this income to the monthly budget. Interviewers also had to determine whether the subjects had casual, part-time or permanent employment in the modern sector whether these jobs were in Durban, Kwa-Mashu or any other urban area.

Types of questions asked in part 3 of the questionnaire (selling, services and production sections) included : type of informal operation engaged in; length of time involved in such activities; where they operate from (home or elsewhere); do they have business partners or helpers? Why did they become involved in working for themselves? why they chose that particular informal sector job; where they obtained their equipment and money to initiate such a business. The advantages and disadvantages of such work were also investigated into. If subjects were 'selling' things, they were asked who they sold their products to and where they sold them. Subjects were also asked whether they would be doing the same work the following year; if not, what other activity/ies would they be engaged in. Questions pertaining to the amount of money made from the business and what they spent this money on were also asked. Finally, subjects were queried as to

what could / ...

what could help them in their particular field. If they weren't entirely sure some suggestions were made to them e.g. a loan; co-operative help; governmental help in the form of easier licensing and less police harassment.

Quantitative research was chosen over qualitative research. It was felt that this was the most appropriate means of identifying general trends and establishing why people engage in such activities. Despite the fact that a quantitative approach was used results were largely of a descriptive nature (thus giving the research a distinct qualitative flavour) hence it was felt that hand tabulation of the results was adequate.

One of the major problems with the use of structured interviews and questionnaires is the amount of time consumed in the implementation of such a research strategy. The helpers (interviewers) all had their own formal jobs and could thus only conduct interviews over weekends or after their daily formal working hours. In addition, travelling from person to person or house to house and conducting interviews consumed a lot of time (five to six weeks). Indeed, interviewing subjects for the sample proved to be fairly hard work. Another time-consuming aspect of this research was the hand tabulation and analysis of results. After a full sample was gathered, each questionnaire had to be systematically reviewed and answers categorized.

The size and type of sample-gathering technique 'snowballing' were the most obvious and important factors which affected the representativeness of the sample. The extent to which results can be generalized to the wider population must thus be assessed.

The helpers that were used to conduct interviews tended to lack experience in interviewing, they consequently brought with them into their interviews their own personal biases and prejudices. The older interviewer, for example, tended to interview people more in his age bracket. (60 plus). Similarly, the younger interviewers selected subjects who had similar ages to themselves. (20 to 40 year age bracket).

Gathering the sample through 'snowballing' made it impossible to locate the study in one particular area. Invariably informal operators introduced new friends, who engaged in informal activities, outside the designated area of study, hence the impossibility of localising the study.

Subjects (interviewees) were also highly suspicious of any newcomers to their surroundings. During the period in which fieldwork was conducted large-scale police raids had been conducted (especially on shackshop owners). Consequently suspicion about our presence was highlighted. Related to this fear and suspicion was the problem of respondents often not giving accurate answers. This is an inherent and perhaps universal problem with regard to conducting interviews and using formal questionnaires. This tendency to distort the truth by subjects was quite understandable, given the nature of their activities and the authorities' attitudes towards such operations. Numerous other factors contributed towards inaccurate answers to questions being given : failure to understand questions adequately; failure of interviewer to put forward question competently; fear and suspicion or simply trying to impress the interviewer.

Some subjects refused to speak to the interviewers for fear of being ostracized by colleagues and being labelled an 'informer', thereby putting

fellow / ...

fellow operators in danger. On numerous occasions an appointment would be made with an individual, one would travel all the way into Kwa-Mashu only to find that the individual had gone out and would not be available for the interview.

Another major problem was the failure of interviewers to successfully probe further into superficial answers given by respondents. Interviewers would tend to simply accept superficial answers given by respondents either because they lacked experience and knowledge in interviewing techniques or because they really didn't know what type of detailed information was required and therefore which areas to probe further into. For example, when respondents were asked whether they would be doing the same work next year and subjects answered 'yes', it was very often the case that the interviewer failed to ask 'why?' Or when products were marketed in a particular area interviewers often failed to probe further and determine why the goods were marketed there.

4.

RESULTS : DISCUSSION

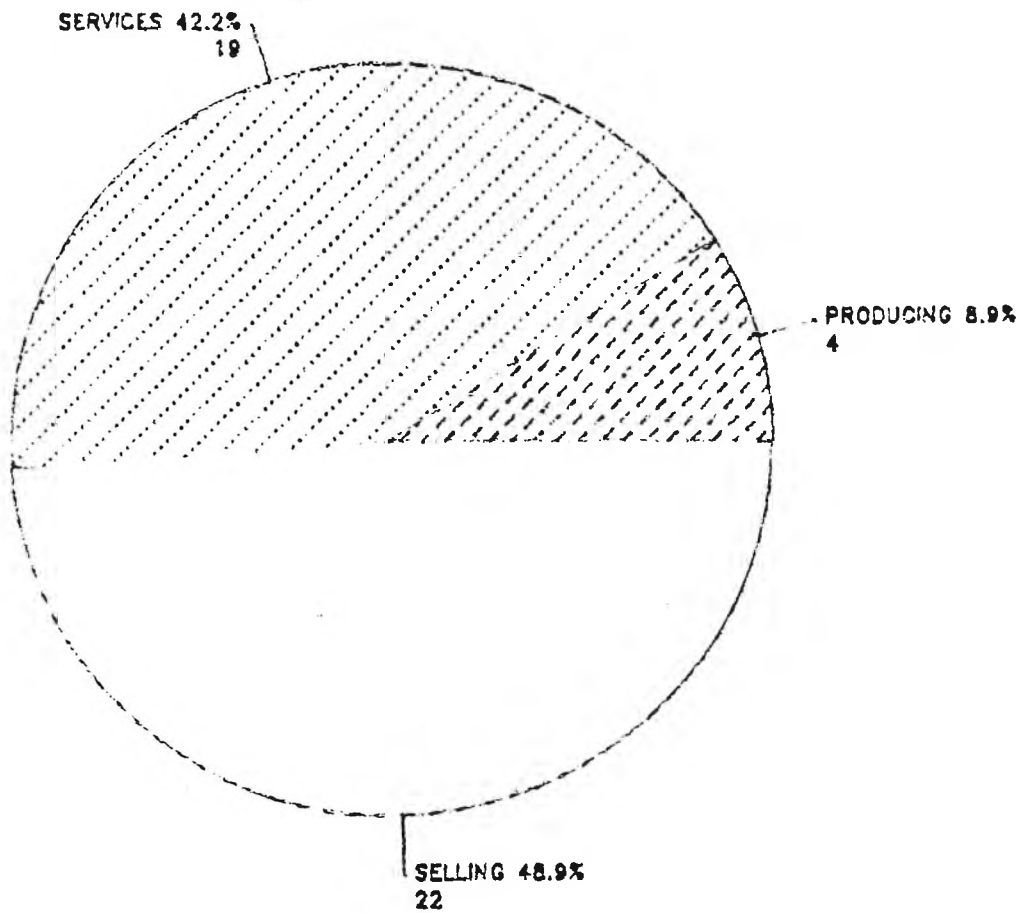
4.1

GENERAL FINDINGS

The most common activity in the informal sector appeared to be in the 'selling' field, this activity occupied 46% of the sample. The 'services' sector proved to be the next most popular activity, occupying 42.2% of the sample, the 'producers', the least popular activities contributing 8.8% of the sample. (See pie graph over page).

The high popularity / ...

INFORMAL SECTOR ACTIVITIES
Prevalence of types of informal activities



The high popularity of the 'selling' activity could be attributed to a number of reasons. Firstly, one would expect 'selling' to be the easiest business to enter into, little capital outlay or training being necessary would contribute towards this belief. The adaptability of the enterprise i.e. ability to sell from street or home, and finally average earnings from this sector must influence its popularity as well.

TABLE 1

GENERAL AND SPECIFIC AVERAGE EARNINGS FROM FORMAL AND INFORMAL SECTORS AND CORRESPONDING AVERAGE FAMILY SIZES

	Monthly Informal Sector Earnings	Monthly Formal Sector Earnings	Family Size
General Average	402	135	5.2
Specific Average Earnings	643 339 225	134 199 73	5.2 4 3

Table 1 illustrates that selling is one of the more lucrative occupations in the informal sector, average monthly earnings being R339,00 per month (hence its popularity). If one looks at Table 19 'reasons for choosing the job' 50% of the sample in the selling category indicated that they engaged in selling because of ease of entry into such an operation (ease of entry being defined as a business being simple to run, few capital overheads and little training and experience required).

The services field, as already mentioned, formed the second largest category of informal sector activity engaged in. Perhaps one of the main reasons for this was that it appeared to be the most lucrative type of informal sector activity. People in this field were earning on average R643,00 monthly. Another possible reason for its popularity was that many of those who engaged in the 'services' field had prior training (usually in the formal sector). 63% of subjects engaged in 'services' in the informal sector (see Table 8) were previously engaged in 'service' activities while formally employed in the modern sector. When they either retired or were retrenched or lost their jobs they simply continued with similar 'service' type operations on an informal level. A high local demand appeared to be another factor which influenced the popularity of this field of activity. 52% of the sample in 'services' indicated this. (Table 11).

The low percentage of people engaged in 'producing' goods (8.8%) could also be attributable to a number of factors. Firstly, the production sector seemed to have the lowest average monthly earnings (R225,00 monthly). Low average monthly earnings in 'production' might, however, be attributed to the fact that most of the people engaged in this field (that were interviewed) produced goods which had low returns (unless produced on a large scale). Example : clothes-making, handcraft and vegetable cultivation. 90% of individuals producing things were over the age of sixty (in their retirement years) and were unable to manufacture things on a large scale - they had no helpers and no business partners.

Table 1 also illustrates the average earnings in the formal and informal sectors and also the average family size per head. It should be noted that the general average earnings in the informal sector appears to be rather

high (when compared with average formal sector earnings). One should, however, note that this is not a true reflection of profits in the informal sector as these figures represent gross earnings and not net profits (rent; wages; food requirements; family demands have not been deducted).

Another factor influencing the seemingly high earnings in the informal sector was that the greater percentage of the sample consisted of 'sales' and 'service' activities. In the 'selling' field, the sale of alcohol formed the sample majority, (will be illustrated later) and was the most lucrative product sold. Similarly, in the 'services' sector, repairing goods (upholstery; cars; houses; radios; fridges etc) formed the sample majority and also proved to be the most lucrative type of service activity. It thus appeared that the total sample was predominated by the more lucrative type of informal sector businesses and hence the apparent high informal sector earnings.

Table 2 illustrates that a majority of people (53%) in the total sample were unemployed in the formal sector. A further 6.6% were only part-time workers. Of the 40% of workers employed permanently 6.6% were earning salaries of less than R150,00 monthly. The average number of dependants per subject engaging in the informal sector was 5.2 people.

See Table 2 overleaf / ...

TABLE 2

ILLUSTRATING PERCENTAGES EITHER ON PENSION; UNEMPLOYED; WORKING PART-TIME OR PERMANENTLY

Activity in Formal Sector	Sample	Percentage
Unemployed / Pensioner	24	53
Part-time Worker	3	6.6
Permanent Worker	18	40
Total	45	100

One can thus see that the informal sector does contribute significantly to ensuring the survival of many African urban dwellers. In many cases, it is used as a form of full time 'employment' and therefore is seen as an effective means of bringing an income in. In other instances it is used to supplement or augment income earned in the formal sector.

There also appears to be a relationship between informal sector earnings, formal sector earnings and average family size. With regard to 'service' activities the average income in the informal sector was R643,00, formal sector earnings were R134,00 monthly, (lowest recorded average in all three categories) the average family size in this sector was 5.2 dependants per head (highest average family size in all three sectors). Table 4 seems to indicate a link between formal and informal earnings and family size (the lower the formal sector earnings, the higher the informal sector earnings, and the higher the average family size - as is the case with the service sector). This perhaps illustrates that where salaries in the formal sector

were on / ...

were on average lower and where the number of dependants per head were - on average - higher, individuals tended to choose the more lucrative type of informal sector 'employment' (that is, repairing things or engaging in service activities which require specialized skills and therefore being in greater demand and earning a correspondingly higher level of income) in order to make ends meet.

Table 3 shows that 24% of the total sample employed no helpers. The majority of people employing helpers in all spheres usually employed family (75% of subjects employing helpers actually utilized members of their family). An interesting aspect here was that subjects who were engaged in 'selling' in the informal sector and who made use of helpers usually employed family helpers (fifteen (68%) of twenty-two sellers 'employed' family). Informal operators engaging in service activities, however, made far greater use of 'outsiders' when employing helpers. Only three subjects employed family helpers while 57% (eleven) of subjects in the service field employed outsiders. This is only speculation, but one might assume that in the 'service' sector more specialized assistance was required (due to the predominance of jobs requiring more specialized skills and therefore more specialized assistance). As a result, recruitment of employees had to transcend family boundaries in order for people having sufficient skills to be acquired.

See Table 3 overleaf / ...

TABLE 3

PERCENTAGES EMPLOYING HELPERS

(Sample numbers in brackets) (Percentages and Sample Figures)

Employing Helpers	No	Yes	Family	Other	Totals
Selling	13.6 (3)	86 (19)	68 (15)	18 (4)	100 (22)
Services	26.3 (5)	73 (14)	15.7 (3)	57 (11)	100 (19)
Production	7.5 (3)	25 (1)	25 (1)		100 (4)
	100 (45)		75 (34)		

Table 4 illustrates that more males engage in 'selling' and 'service' activities than females. The high percentage of males recorded in the 'service' section was probably due to the fact that many of the 'service' activities are male-orientated jobs (example - repairing cars, fridges, panel-beating, spray-painting). The highest percentage of females were recorded in the sales sector 41% (nine). The table also illustrates that on average males appear to earn more than female informal sector operators (monthly earnings were compared). This was perhaps due to the fact that males tended to dominate the 'service' category of informal operations, as already mentioned, this sector is the most lucrative field of informal business. Males also tended to dominate in the sales department and a major proportion of the males in this category were engaged in the selling of alcoholic beverages which tended to be one of the most lucrative 'selling' products.

See Table 4 overleaf / ...

TABLE 4
ILLUSTRATING SEX DISTRIBUTION BETWEEN VARIOUS CATEGORIES OF INFORMAL
ACTIVITIES

Sex	Selling	Services	Production	Average Earnings
Male	59 (13)	84 (16)	50 (2)	523
Female	41 (9)	16 (3)	50 (2)	245
Total	100 (22)	100 (19)	100 (4)	

TABLE 5
REASONS FOR BECOMING INVOLVED IN THE INFORMAL SECTOR

Influence Factors	Categories of Informal Activities		
	Selling	Services	Production
Formal Sector			
Earnings Inadequate	63.7	47.3	50
Unemployed	31.3	36.8	50
Prior training		10.5	
Preferred independence		5.2	
Total	100	100	100

The above table illustrates the importance of the informal sector, not only in terms of supplementing a meagre income (earned in the formal sector) but also in terms of replacing the formal income altogether. Thus, a migrant entering into a township from a rural area would probably use the informal

sector as an alternative means of survival while looking for formal employment in the urban area. Indeed, once the migrant has found a job in the formal sector he might continue his informal business on a part-time basis. Many subjects in the sample forty-five actually operated in both formal and informal enterprises simultaneously.

Previous studies (Webster 1983; Maasdorp 1983) have also illustrated that migrants use the informal sector as a means of earning a living while unemployed. Thus it is clear to see that the informal sector can be used to facilitate development in that it does alleviate poverty to some extent. The authorities and developmental policy-makers should thus not ignore this important sector when drafting development strategies.

4.2

SERVICES IN THE INFORMAL SECTOR

It is clear to see from Table 6 that 63% of the subjects engaging in some form of service activity had a secondary level education (ranging from Standards 6 - 10). 5.2% had vocational or university education or training. 62% of the informal 'service' operations were of a skilled nature while 27.5% of the jobs were of a semi-skilled nature. 42% of individuals engaging in services in the informal sector were unemployed while a further 36% were engaged in skilled or semi-skilled jobs in the formal sector. It therefore seems apparent that some form of relationship exists between education, informal sector job type, formal sector job type and percentage unemployed. Obviously, those individuals with a secondary education, some form of vocational training or university degree, will be better placed to conduct the more 'skilled' orientated jobs pertaining to the 'services' section of the informal sector. A relationship between

unemployment and this sphere of informal sector work is also apparent.

Individuals who have no income from the formal sector probably naturally choose the most lucrative type of informal sector business in order to make ends meet and ensure the survival of their dependants, hence the choice of the lucrative 'services' sector.

TABLE 6

ILLUSTRATING EDUCATION LEVEL AND JOB TYPES IN INFORMAL AND FORMAL SECTORS

Education Level	University or Vocational Training	Secondary Level Education (Stds 6 - 10)	Primary Education (Sub A - Std 5)	
Total - 100	5.2	63	31.8	
Informal Sector Jobs :	Skilled	Semi-Skilled	Unskilled/ Menial	
Total - 100	62	27.5	10.5	
Formal Sector Jobs :	Skilled	Semi-skilled	Unskilled/ Menial	Unemployed
Total - 100	20	16	21	42

Finally, an association can also be detected between formal job type and informal sector work, the table illustrates that a high percentage of people engaging in informal services have skilled or semi-skilled jobs in the formal sector (with regard to people presently employed in the formal sector). A high percentage of jobs in the informal 'services' category are also of a skilled or semi-skilled nature. Thus the choice of occupation in

the informal sector might also be influenced by one's job in the formal sector. The direction of this link or association is difficult to determine, a migrant's informal sector work might similarly influence the type of job he acquires in the formal sector.

TABLE 7
PERCENTAGES OF PEOPLE ENGAGING IN DIFFERENT INFORMAL SECTOR 'SERVICE'
ACTIVITIES

Types of Services	Percentages	Numbers
Repairing cars	26.3	5
Spray painting/welding etc	15.7	3
Taxi Services	15.7	3
Fridge repairs	5.2	1
Repairing upholstery	5.2	1
Barber	5.2	1
Child care	5.2	1
House renovator	5.2	1
Cartage	5.2	1
Healers	10.4	2
TOTAL	100	19

The above table shows that the skilled or semi-skilled type operations in the services category of the informal sector are the most popular jobs. As previously mentioned, this is perhaps due to the fact that skilled or semi-skilled activities tend to form the more lucrative informal businesses.

TABLE 8
REASONS FOR CHOOSING THE JOB

Reason	Percentage
Local demand	15.7
Prior training and experience in that field	63.15
Had available resources	5.2
Little expense / low capital Input	15.7
TOTAL	100

63% of the subjects in the services category stated that they engaged in their particular 'service' activity because they had prior training and experience, acquired through formal sector employment or through some form of vocational training. Subjects who gave this reason comprised of panel-beaters, mechanics, fridge and radio repairers and other operators occupying skilled or semi-skilled jobs in the formal sector (either presently employed in the formal sector or previously employed in this sector before losing their jobs. Thus prior experience and training positively influenced job choice in the informal sector.

15% (3) of the subjects gave 'local demand' as their reason for engaging in their particular operations, two of those subjects were mechanics and one a taxi-driver. The last majority (in the service sample) was 'low capital input required' - 15.7% (3). In this category one subject was a barber, another offered a 'creche' service and another was a healer. It appeared that the most important determinants of job choice seemed to be 'prior

training / ...

training and experience', 'local demand' and finally 'low capital input required'.

TABLE 9

TABLE ILLUSTRATING FROM WHERE EQUIPMENT NECESSARY TO RUN BUSINESS WAS OBTAINED

Source	Percentage
Durban	47.3
Kwa-Mashu and surrounding area	47.3
Not applicable (i.e. creche)	5.2
TOTAL	100

TABLE 10

WHERE MONEY FOR BUSINESS WAS OBTAINED

Source	Percentage
Savings accumulated	62.8
Formal sector jobs	26.3
Not applicable (herbalist)	5.2
TOTAL	100

Table 11 - "advantages" showed that the majority of people saw 'demand' as

one of the main advantages of their activities. It should be noted that the variables in this table and the variables in Table 8 are closely inter-linked. Many perceived advantages of this informal sector work must have figured in the subject's calculation for choosing the particular job. 'Low capital input' and simplicity in 'running' as well as 'constant demand' reasons were found in both tables, however lower percentages occurred in Table 8 for the above mentioned reasons. One can only surmise here that the two questions ('reasons for choosing the job' and 'advantages of job') were understood to have different meanings by some of the subjects. Some of the interviewers must have therefore believed that the two questions required different answers and thus gave them, hence the failure of the percentages pertaining to the two categories of reasons in the two tables to correspond.

TABLE 11
ADVANTAGES OF INFORMAL SECTOR ACTIVITY

Factors	Percentage
Low capital input and simplicity in running	31.5 (6)
Constant demand	52.6 (10)
No police harassment	15.7 (3)
TOTAL	100 (19)

Table 12 shows that the 'lack of adequate facilities' was one of the major disadvantages given by subjects about their work. This 'lack of adequate

facilities' / ...

facilities' usually referred to lack of some form of shelter or shed (to operate from). Many of the back-street mechanics operated from their homes (backyards) space was severely limited. Cars thus had to be parked in the open and tools either stored away in living quarters or stacked away in trunks. The other main disadvantage was 'burglaries'. This factor is closely related to lack of 'adequate storage space'. One assumes that had there been adequate storage space and 'lock away' facilities fewer accounts of theft would have been indicated.

TABLE 12
DISADVANTAGES OF INFORMAL SECTOR ACTIVITY

Factors	Percentage
Lack of adequate facilities	31.5 (6)
Burglaries	15.7 (3)
Customers defaulting on payments	10.5 (2)
No problems	21 (4)
Work dependant on weather	5.2 (1)
Competition with formal businesses	5.2 (1)
Unreliable employees	5.2 (1)
TOTAL	100 (19)

See Table 13 overleaf / ...

TABLE 13

ILLUSTRATING WHAT SUBJECTS THOUGHT WOULD MOST HELP THEM IN THEIR OPERATIONS

Factors	Percentage
Loan	26.3
Co-operative help	5.2
Governmental assistance	26.3
Loan and Governmental aid	26.3
Nothing	15.7
TOTAL	100

The above table shows that individuals thought a loan would most help them in their endeavours. Subjects who indicated they needed some form of a loan tended mainly to be the mechanics, panelbeaters and spray-painters. They stated that they would use the loan facility to replace tools, construct sheds and enclosures where tools etc. could be stored (to prevent theft).

When asked how much loan subjects needed many appeared uncertain as to how much they would require and consequently appeared simply to take a guess, average loan requirements were thus not recorded.

Individuals who stated that they required governmental assistance generally noted that easier licensing would facilitate their business endeavours. It was felt that if licences could be obtained subjects would attract more

customers / ...

customers and less time and money would be wasted concealing one's enterprise from authorities. Subjects who stated that 'nothing would help them at present' (26.3%) constituted a herbalist, housebuilder and child carer.

TABLE 14
ILLUSTRATION OF MOST LUCRATIVE SERVICES IN THE INFORMAL SECTOR

Average Monthly Incomes					
Upholsterer	Mechanics	Taxi Services	Panelbeaters	Builder	Cartage
500	1083	870	400	450	300

TABLE 15
ILLUSTRATION OF WHAT INFORMAL OPERATORS SPENT INFORMAL SECTOR EARNINGS ON

Factors	Percentage
Support family	68
Business expenditure	5.1
Support family and business expenditure	15.7
Support family and reinvestment	10.5
TOTAL	100

NOTE : The above table clearly illustrates the importance of informal earnings in contributing towards 'supporting the family'. 68% of operators used informal earnings to support their respective families.

4.3

SELLING OPERATIONS IN THE INFORMAL SECTOR

40% of the 'sellers' were engaged in the sale of alcohol and softdrinks. Schlemmer and Moller point out that the drinking of alcohol in Kwa-Mashu is a popular pastime. Apart from the traditional drinking accompanying social gatherings many people simply drink to temporarily alleviate their hardships. This dependance on alcohol may be due to a number of socio-economic problems many Africans are faced with while living in migrant townships (such problems being poverty, boredom, oppressive atmosphere in township and general frustration with life circumstances). Moller and Schlemmer note that drinking assumes a high proportion of family income in poorer households (in Kwa-Mashu) - hence its link with financial difficulties - see Moller and Schlemmer 1978 - (Moller; Schlemmer etal 1978 Centre Applied Social Science publication). Thus, because of the popularity of alcohol in Kwa-Mashu it is obvious that informal sector operators are going to make use and exploit this demand - hence the predominance of alcohol selling in the 'selling' category of the sample.

TABLE 16

TYPES OF SELLING ACTIVITIES

Commodities sold	Percentage
Alcohol and soft drinks	40 (9)
Fruit and vegetables	27 (6)
Assorted goods (e.g. ice-cubes, fowls, homemade sweets, etc.)	31.8 (7)

Fruit / ...

Fruit and vegetables appeared to be the second most popular commodity to sell. This might be attributed to the fact that many individuals who actually sold vegetables grew them themselves. Vegetable cultivators usually sold them from their homes. People buying their vegetables from the Indian market or other white areas (in Durban, etc.) often operated from shack shops down alleys or on the roadside. People who stated that they grew their vegetables at home noted that they also sold their vegetables from home because they found it easier (more convenient). These people usually lacked transport to marketing areas. Neighbours and people in their residential areas usually knew they were vegetable growers and would come to them when in short supply of vegetables.

One grower made use of a fairly extensive garden area where he cultivated chillies, cabbages, carrots, beans, etc. He managed successfully to combine his formal work (part-time ambulance driver) with his informal operation. This individual also sold his products from his house. Beer sellers also often operated from homes and backyards.

Education levels and percentage of subjects engaged in skilled or semi-skilled work in the formal sector tended to differ between those individuals engaged in 'services' and those individuals engaged in 'sales' in the informal sector.

See Table 17 overleaf / ...

TABLE 17
EDUCATION LEVEL AND JOB TYPE IN THE FORMAL SECTOR

		Percentages and number in Sample				
Education level		Primary Education Sub A - Std 5	Secondary Education Std 6 - 10	University Vocational Training		
Total	100 (22)	60 (13)	40 (9)	0 (0)		
Job Type in Formal Sector		Menial	Semi-skilled	Skilled	White Collar	Unemployed
		22 (5)	27 (6)	1	18.1 (4)	318 (7)
Total	100 (22)					

The majority of the sample (60%) in the 'sales' sector had only primary education (Sub A - Std 5). No subject in this field had any form of vocational training. There also appeared to be a higher percentage of menial workers and a lower percentage of skilled and semi-skilled workers (engaged in formal employment). 31% of the subjects in this field were completely unemployed in the formal sector. A relationship perhaps exists between education, informal sector activity and job type in the formal setting (if formally employed). It was pointed out earlier that a relationship existed between these variables (factors) in the 'service' field of the informal sector. Selling products does not require any comprehensive form of education or training (which might have been obtained from formal employment or education).

Results tend to confirm the belief that the more poorly educated are

engaged in / ...

engaged in 'selling operations' in the informal sector. The table also illustrates that there was a lower percentage of unemployed (in the formal sector) in comparison to the subjects who engaged in 'service' activities in the informal sector. In the 'service' sector a higher level of unemployment in the sample was noted. It has also been pointed out that the services field forms the lucrative area of informal operations. Subjects receiving no income from the formal sector thus naturally gravitate toward more lucrative informal sector operations (usually found in the services field). Because more people were found to be employed formally while conducting their informal operations in the sales category of informal business one might conclude that their choice of informal sector activity was not so much influenced by financial factors but rather by other variables (e.g. simplicity of running such a business, ease of entry, etc.). One should bear in mind, while saying this, 'sales' operations had on average lower monthly incomes than 'service' type informal businesses.

TABLE 18
MOST LUCRATIVE PRODUCTS TO SELL

Product	Average Earnings per Operator
Alcohol	499
Vegetables	300

The above table illustrates that the selling of alcoholic beverages was the most profitable 'selling' activity. Given the high demand, this was to have been expected. It was obvious that some subjects operating shebeens

were earning / ...

were earning sizeable incomes as their homes were 'palatial' when compared to their neighbours and fellow Kwa-Mashu dwellers.

One shebeen operator relied solely on his informal sector operations (was not employed in the formal sector). His home was fairly large (had three bedrooms). It was fully carpeted and had all the latest household equipment (television set, hi-fi set, modern stove, washing machine, microwave oven, etc.). Admittedly, he was not only engaged in the selling of alcohol but was also a pirate taxi-operator. He was a highly suspicious individual and it was extremely difficult to get any information out of him (especially so after my guide had informed him that my father was a manager for the Standard Bank - he had recently been refused a loan from the bank!) It was eventually, however, ascertained that he earned about R18 000,00 a month from his informal operations. A detailed case study of this individual would have been extremely interesting. However his reluctance to reveal any information made this impossible.

Table 18 also indicates that the selling of vegetables is one of the more lucrative informal businesses. Despite the apparent demand for vegetables, it is however difficult to believe that such a high average monthly income from such an operation could be achieved. One can only attribute such a result to subjects not giving accurate answers (either because they were simply guessing because they didn't really know their average earnings from their operations, or they might have been trying to humour the interviewer by playing along and simply misinforming him).

'Reasons for choosing the job' (Table 19) indicated that many subjects (50%) chose their particular 'selling' activity because of ease of entry

into such / ...

into such a business (little equipment being necessary and therefore few capital overheads). Many of the persons who were interviewed sold their goods from home. It was particularly difficult to interview shack shop operators as recent police raids had made them highly suspicious of the many strangers walking around interviewing them. Subjects who gave 'local demand' as a reason (36.8% of the 'selling' sample) generally constituted the beer sellers. One individual, a beer seller, stated that he made more money selling beer illegally than he would if he had a job in the formal sector.

TABLE 19
REASONS FOR CHOOSING THE JOB

Influencing Factors	Percentage Influenced
Local demand	36.8
Ease of entry	50
Make more money in informal sector	4.5
Had prior training and experience	9.09
TOTAL	100

Once again, it should be noted that major advantages are closely linked and related to reasons for choosing the job. One must assume that perceived 'advantages' must have entered into the subjects' calculations when choosing their particular field of selling. Local demand proved to form one of the major advantages. 50% of subjects who gave the above reason constituted beer sellers, 30% constituted fruit and vegetable sellers. The

other / ...

other notable sample majority perceived in the 'advantages' question was "valued independence" (22.7%).

TABLE 20
MAJOR ADVANTAGES OF SUCH ACTIVITIES

Factors	Percentages
Durability of stock	22.7
Local demand	45 (beer sellers)
Value independence	22.7 (fruit and vegetable sellers)
Money not taxable	9.09
TOTAL	100

Major disadvantages were : police harassment (45.4%), 60% of the subjects who gave this reason were beer sellers or shebeen operators. Local shebeens are constantly being raided by police in Kwa-Mashu. Burglaries and poor facilities also featured highly amongst the major disadvantages.

TABLE 21
MAJOR DISADVANTAGES OF SUCH ACTIVITIES

Factors	Percentage
Police harassment	45.4
Burglaries	22.7
Inadequate facilities	27.2
Insecurity	4.5
TOTAL	100

Most of the subjects engaged in 'selling' in the informal sector indicated that what would help them most in their businesses would be the relaxation of government laws (regarding licensing of small businesses) and also a lessening of police harassment. Naturally enough, subjects who gave these reasons were beer sellers and individuals who sold products from the roadside (shack shop sellers).

TABLE 22
WHAT WOULD MOST HELP OPERATORS IN THEIR WORK

Factors	Percentage
Easier licensing and less police harassment	60
Nothing at present	9.09
Gave no answer	30.9
TOTAL	100

Street vendors stated that for the type of product they sold (homemade sweets, cakes, cigarettes, ice-cubes, meat, clothes, etc.) business could only be conducted effectively on roadsides where a constant flow of people passed their stalls.

It should be pointed out that shack shop operators usually sell goods which are of low demand and profit and it is therefore essential that they operate from a point where customers are most likely to be present (i.e. on streets and sidewalks, close to the centre of town).

A smaller sample majority gave no answer when asked what things would help them in their businesses. One might assume that subjects' reluctance to express their views might have still been a product of their suspicion or fear of being labelled an informer. On the other hand, subjects might have genuinely not known what would help them at that point in time and would have thus needed time to consider their positions and problems.

TABLE 23
WHERE GOODS WERE BOUGHT AND REASONS WHY

Source	Percentage	Reason	Percentage
Durban (Indian market; Checkers; Hypermarket; etc.)	63	Better service	24
		Cheaper prices	76
Kwa-Mashu and surrounding area	36.3	Reduce transport costs	87
		Cheaper prices	12.5
TOTAL	100	TOTAL	100

TABLE 24
ILLUSTRATING WHAT MONEY FROM INFORMAL EARNINGS WAS SPENT ON

How earnings were used	Percentage of Operators
Support family and pay rent	77.2
Buy more stock	18
Save	4.5
TOTAL	100

NOTE : This Table illustrates the importance of informal earnings in contributing to the general survival of township families. 77% of operators used their earnings to support their respective families.

4.4

PRODUCTION IN THE INFORMAL SECTOR

A thin line can be drawn between 'production' activities and 'selling' activities in the informal sector. Obviously, things that are 'produced' are also sold, however, the distinction between the two activities is that when the worked 'production' is used it is used in the context of producing things for specific customers (i.e. orders) where an assured sale has already been determined. In contrast, 'selling' can be treated as an activity on its own and one's customers are by no means assured. More often than not 'selling' doesn't entail producing or making the commodities to be sold but rather entails the purchasing of goods (often at wholesale prices) and re-selling them.

As already mentioned, the proportion of people engaging in 'production' was small. This might have been due to the fact that production appeared to be the least lucrative field of informal operations and consequently the least popular type of informal activity. Another important factor which might have contributed to a low percentage of producers being recorded in the sample was the existence of 'systematic error' in the sample.

A random probability sample was not used, hence the likelihood of systematic error occurring was increased. Interviewers might simply have selected 'easy to obtain' subjects for the sample (people in selling and service fields) and thus neglected the 'producers' in the informal sector, who were harder to contact because they often operated from home (or other indoor premises).

Wellings and Sutcliffe 1984 discovered in their survey that in Kwamashu 66% of operators engaged in distributive activities conducted business from their own homes and 58% of operators in manufacturing and service fields in the informal sector did the same.

Returning to the present study, 50% of the producers in the sample were engaged in making clothes. Of the remaining 50%, one subject produced building blocks for house construction and another cultivated vegetables.

TABLE 25
TYPES OF GOODS PRODUCED

Products	Percentage
Making clothes	50 (2)
Growing vegetables	25 (1)
Making building blocks	25 (1)
TOTAL	100

The subject manufacturing building blocks would usually receive an order from a housebuilder (hence an assured sale of his product). Similarly, the vegetable grower was also usually assured of a sale as he would produce vegetables for his neighbours who knew of his business and would constantly buy vegetables from him. The vegetable grower also stated that he sold his vegetables to an Indian who had a van and sold vegetables from his van on the street side (he usually

parked / ...

parked near the entrance of Kwa-Mashu) - hence another assured customer. Of the clothes-makers, one subject was an elderly woman, who would walk around the neighbourhood asking people if they wanted a jersey etc. made for them. Once she found a customer/s she would begin her manufacturing process.

TABLE 26
FORMAL OCCUPATION AND JOB CONTINUITY

Formal Occupation	Percentage	Job Continuity	Percentage
Unemployed	50	Unemployed	50
Semi-skilled	25	Part-time	25
Pensioner	25	Retired	25
TOTAL	100	TOTAL	100

Three-quarters of the sample were unemployed or retired (from the formal sector). Of the people employed 25% were part-time workers. All of the producers in the sample operated from home.

TABLE 27
ILLUSTRATING WHY SUBJECTS DECIDED TO MAKE :

Factor	Percentage	Why?
Building blocks	25	High demand
Growing vegetables	25	Easy business to begin
Making clothes	50	Had skill
TOTAL	100	

TABLE 28
ILLUSTRATING WHAT WOULD HELP PRODUCERS IN THEIR WORK

Factor	Percentage	Activity
Loan	25	Builder
Co-operative help	25	Clothes Manufacturer
Governmental aid	25	" "
Nothing	25	Vegetable Growers
TOTAL	100	

Table 29 'major advantages' showed that the producers in the informal sector believed that their operations were an important source of income. 75% of the subjects indicated that their enterprises did produce profits.

TABLE 29
ILLUSTRATION OF MAJOR ADVANTAGES

Factors	Percentages
Demand - assured profit	75
Facilitated survival	25
TOTAL	100

See Table 30 overleaf / ...

TABLE 30
ILLUSTRATION OF MAJOR DISADVANTAGES

Factors	Percentages
Burglaries	50,
Inadequate income	25
Inadequate facilities	25
TOTAL	100

Burglaries featured prominently amongst the major disadvantages. It appears as if people in the informal sector are particularly susceptible to burglaries because of the fact that they can't turn to the police for assistance (to find the thieves) as they themselves are conducting 'illegal' activities. Whether individuals in the informal sector are subjected to more burglaries than people in the formal sector, and whether thieves realize the apparent vulnerability of members in the informal sector (as a result of their own 'illegal' businesses) these are questions which have yet to be answered and would make an interesting research topic.

Despite the limited size of the sample, many of the results obtained tend to correspond with previous studies on informal operations in African townships (e.g. Maasdorp 1983; Wellings and Sutcliffe 1984). Wellings and Sutcliffe 1984, for example, point out that the majority of informal operators conduct their businesses from home (for exact figures look on previous page). In the present study similar

findings / ...

findings were encountered : 77% of the 'sellers' operated from home : 89% of subjects engaged in 'services' operated from home and 100% of subjects engaging in production in the informal sector operated from home.

Wellings and Sutcliffe also tend to confirm the present studies' findings with regard to distribution of types of informal sector activities. In their survey of Kwa-Mashu they established that 77% of the respondents were engaged in retailing, 23% in manufacturing and 82% in retail activities. Maasdorp 1983 notes that one-third of his sample (in Clermont township) engaged in the selling of goods, one-third engaged in the brewing and selling of liquor and one-fifth engaged in artisan activities. Similar results were obtained from the present study regarding the popularity of various types of informal activities).

As with Maasdorp's study, it was also found that materials (for operation of informal businesses) were purchased from the formal sector and operators supplied persons living in both shacks and in built-up areas.

Similarly, approximately two-thirds of operations were one-person businesses. The great majority, approximately 98 were also committed to remaining in their existing informal sector activity on a permanent basis.

5.

SUMMARY AND CONCLUSION

5.0

SUMMARY OF MAIN FEATURES

1. 48% of informal operators were engaged in the sale of goods (sample majority). The most common commodities that were sold were alcohol and general food-stuffs (groceries, vegetables, cakes, sweets, etc.). 42% of informal operators engaged in 'service' activities, the majority of people in this category were involved in repairing things (cars, fridges, radios, panelbeating, upholstery). Only 8.8% of the total sample actually produced or manufactured articles.
2. 57% of the subjects in the sample indicated that they engaged in informal work to supplement meagre earnings in the formal sector. 35% of the subjects indicated that they did so because they were unemployed in the formal sector.
3. Informal sector earnings appeared to be greater than formal sector earnings.
4. There appeared to be a positive relationship between education and type of informal operation engaged in. There also seemed to be a positive relationship between formal sector 'job type' and informal sector 'job type'. Individuals with primary level educations appeared to engage more in informal selling operations (where less training or skill was required). Subjects with secondary level educations, on the other hand, were often

employed / ...

employed more in the 'services' field of informal operations where more skill was usually required. People who were previously employed in skilled or semi-skilled occupations in the formal sector usually had skilled or semi-skilled type jobs in the informal sector (usually in the service or manufacturing field).

5. Operators employing 'helpers' most often employed family members as helpers. One might assume here that 'business owners' felt that larger salaries would have to be given to outsiders, whereas smaller wages could be paid to family labour which would be more susceptible to 'exploitation' because of the presence of a 'bond' or 'kin tie' linking employer to employee.
6. The majority of subjects in all sections of the informal sector indicated that the main problems in their respective businesses were inadequate (28%) facilities, burglaries (22%) and thefts, police harassment (15%).
7. 75% of the subjects stated their informal earnings were used mainly for household expenditure (rent, food, school fees).
8. Loans and governmental help featured highly when subjects were asked what would help them most in their operations.
9. Many subjects who engaged in informal sector work also had formal sector jobs (approximately 50%).

5.1

SOME ADDITIONAL FINDINGS AND DISCUSSION POINTS

1. Most of the subjects in the sample (approximately 98%) indicated that they had every intention of continuing with their informal sector activity next year.

2. 80% of the subjects in the sample were approximately 40 years of age, all of the subjects in the sample had been engaged in the informal sector for an average number of ten years.

Results obtained from this sample seem to indicate that the informal sector does have a role to play in development. The informal sector does seem to contribute significantly to the general survival and well-being of many African township dwellers. For many Africans it must form an important and essential part of their lives as they rely exclusively on such informal operations for their income.

Looking at the average earnings in the informal sector (monthly earnings) and then comparing them with average monthly earnings in the formal sector (received by Africans in the sample) it is clear to see (from this sample, at least) that the informal sector is far from subordinated and exploited by the formal sector. In the sample of forty-five subjects only one individual stated that his major problem was competition with the formal sector.

As with results obtained from Maasdorp's 1983 study of informal

operations / ...

operations in Clermont it seemed that a large portion of the subjects in the sample were engaged in commercial or retail activities, while only a small proportion of subjects produced or manufactured goods. Maasdorp pointed out that as a result there didn't seem to be much scope for the introduction of a programme of technical training (in an attempt to stimulate this sector).

However, in the sample in this piece of research many people also operated their own 'service' businesses. The majority of these services entailed repairing things (as already mentioned) and consequently a degree of specialization and training would be necessary. A training programme could thus be implemented as a means of stimulating this sector (through improving the skills and knowledge of people with regard to particular 'service' operations). Thus training programmes teaching people how to repair vehicles, how to panelbeat and to repair household appliances etc should be initiated. These training programmes might even be used as a substitute for formal Western orientated-type education (designed primarily to satisfy the demand in the country for white collar or clerical jobs). Training programmes could be divided into courses or modules which eventually accumulate so that they are equivalent to certificates in the present (Western) education system. This type of education would have more of a positive effect on development and poverty than traditional (Western) education which serves to supply a country, that has already reached saturation point with regard to employment for white collar workers, with white collar workers.

The demand for such 'repair' services in Kwa-Mashu appears to be present. Some form of stimulation and encouragement, however, has to be forthcoming so that this demand can be exploited to the full.

Another possible means of encouraging and stimulating this field of informal operations is to attempt to make available to operators goods and equipment necessary for conducting repairs at cost price. Loans should also be more accessible to informal operators. An interview with a local bank manager outside Kwa-Mashu revealed that banks did not loan money to unlicensed businesses. Banks try to encourage small businesses in Kwa-Mashu (by providing loans etc.) but not small informal sector businesses. The Small Business Development Corporation 'theoretically' fulfils this role (such a centre exists in Kwa-Mashu).

Another strategy that might have positive repercussions in the 'services' and 'production' fields in the informal sector might be to provide 'packages' or 'kits' to informal operators (or potential operators. These kits would come complete with instruction manual and equipment which would enable a person to repair or construct something (example : fix a radio or build a fence). These kits should be cheap and easily obtainable to informal operators (or potential operators). This package system would enable the unemployed to easily begin their own small business and make use of the apparent demand for such services. While these small enterprises would not generate much employment

they would / ...

they would at least encourage a policy of self-help amongst the unemployed in various townships. It would also serve to make people aware of the fact that options are available to them to improve their economic positions and that they are not totally helpless against forces in the environment.

As far as retailing is concerned, stimulation of this sector should be encouraged through easier licensing and allowing street vendors to display their goods on roadsides where the general population pass. Through simple participant observation it was determined that the majority of street vendors and shack shop owners were women. N. Nattrass 1984 points out that this is not surprising considering the fact that the majority of women are excluded from the South African labour market. The rationale behind this being that the husband provides the income and has access to produce off the land, as a result women need not be formally employed (if they are employed it is merely to supplement their household income). The survey conducted in the Transkei, however, shows that 86% of the street traders had no other income earners in their households and that they had an average of 4.3 children to feed. Only their informal sector earnings prevented starvation (N. Nattrass 1984; Carnegie Conference Paper No. 237 : 13).

5.2

CONCLUSION - A FINAL OVERVIEW

In summing up, the research had a number of positive outcomes. It enabled

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me to gain valuable research experience in terms of questionnaire construction, conducting interviews and general work in the field. An insight into township life was also obtained and valuable contacts were made and background information gathered for any further more detailed research to be done in the future.

Bromely identified a number of different standpoints on the two sector formal/informal model : Some theorists state that the model should simply be ignored, others are slightly opposed to the model, a further category express strong opposition towards it and reject the dualistic model completely. The final category of theorists proposed flexible advocacy toward the model, they admit that it has deficiencies but support continued research and policy-making in this field (Bromely 1978 in Maasdorp 1983 : 74). The standpoint adopted in this long essay follows closely along the lines of the standpoint adopted by the last category of above mentioned theorists.

The capital-intensive course that industry in South Africa is taking, is resulting in fewer jobs being available. For sustained economic growth and development a comprehensive plan must be introduced to create more employment. The informal sector must play a role in this plan. Its importance in the lives of African township dwellers should not be underestimated and so too its role in a developmental policy.

In terms of the working hypothesis stated in the introduction, the research was a success. It highlighted the important role the informal sector plays in the lives of township dwellers and has illustrated that it can be used as a tool in a developmental strategy.

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