

## RURAL URBAN STUDIES UNIT



UNIVERSITY OF NATAL DURBAN

# THE INFORMAL SECTOR: SOCIO-ECONOMIC DYNAMICS AND GROWTH IN THE GREATER DURBAN METROPOLITAN REGION

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CENTRE FOR SOCIAL AND  
DEVELOPMENT STUDIES

WORKING PAPER NO. 18

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**1989**

**Rural Urban Studies Working Paper No. 18**

**Rural Urban Studies Unit**

The Rural Urban Studies Unit was founded in 1983 by the Human Sciences Research Council for the purpose of studying the dynamics of the links between the rural and urban areas of South Africa. It is situated at the University of Natal, Durban and works in close co-operation with the Centre for Social and Development Studies.

ISBN NO: 0-86980-664-5

## **THE INFORMAL SECTOR: SOCIO-ECONOMIC DYNAMICS AND GROWTH IN THE GREATER DURBAN METROPOLITAN REGION**

### **1 Introduction**

Before tracing the emergence of the informal sector concept in development studies, it may be useful to begin with a description of how, one writer at least has interpreted it:

"... these activities are distinguished ... by their small scale and labour intensive operations, ease of entry, adapted technology and indigenous resources and unregulated and competitive markets" (Booth, 1987:47).

This foregoing description cannot be thought of as definitive as different writers would stress other aspects of the informal sector. At the same time, definitional and conceptual issues continue to be debated, with each major study generating its own definition (Trager, 1987:239). Some studies emphasize the nature of the enterprise (Nattrass, et al, 1984; Nattrass and Glass, 1986; Van Loggerenberg, 1986; Bendheim, 1987; Booth, 1987; De Kock, 1987) while others emphasizing labour market characteristics (Dewar and Watson, 1981; Durban City Engineers, 1983; Natal/KwaZulu Planning Council, 1986; Rogerson, 1986; Nattrass, 1987). The heterogeneous nature of the informal sector with respect to the type of activity, mode of organization and general social acceptability makes it impossible to formulate any universally acceptable definition.

### **2 The Theoretical Underpinnings of the Informal Sector**

#### **2.1 Origins**

Despite the very wide use of the term 'informal sector', the concept is relatively recent and has only been widely accepted since the early 1970's. Its origins lay in the post First World War - 1920's era, becoming increasingly more established during the depression years of the 1930's. During this latter stage some investigators were claiming that capitalist

development was not absorbing traditional economic systems but was existing side by side in a dual system (Drakakis-Smith, 1987:65).

It was Lewis' (1954) two-sector labour transfer model which not only re-introduced the concept of dualism, but was also the progenitor of modern economic development theory. His influence on development theory was pervasive, particularly among neo-classical economists. However, at no stage during the formative years of dualist theory models was the concept of an informal urban sector seriously contemplated. Dual model theorists, whether starting from a position of unemployment - Fei and Ranis, Harris and Todaro - or one of full employment - Jorgenson - predicted growth with ultimately decreasing economic stratification and unemployment (Nattrass, 1978). The focal point of these neo-classical dualist debates was whether or not labour could ever be 'surplus' and the implications this had for development with nothing said about the constituency of urban surplus labour.

This idea of dualism was taken one step further by a number of researchers who felt that existing dual model theories were incapable of influencing development strategies which would benefit large numbers of urban poor. Once it was accepted that there existed a group of urban dwellers who were unemployed, poverty stricken and politically docile and whose existence was not temporary, analysts began to investigate their lifestyle more closely to see how this group survived.

What followed was a series of investigations which began to contributed to a model of the character of this lifestyle, primarily within the field of socio-economic activities. Amongst theoreticians Reynolds (1969) introduced the first explicit model of a dichotomized urban sector, which he called the state and the 'trade-service' sectors. The latter he described as:

"the multitude of people whom one sees thronging the city streets, sidewalks and back alleys in the Lesser Developed Countries (LDC's), the petty traders, street vendors, coolies and porters, small artisans, messengers, barbers, shoe-shine boys and personal servants" (in Sinclair, 1978:80).

Among the earliest empirical works was Hart's (1973) study on urban unemployment in Ghana from which the term informal/formal sector emerged. Earlier terminology such as bazaar/firm sector, lower/upper circuits and traditional/modern activities faded from development terminology.

During this era, however, another ideological model of the informal sector concept was being formulated - the Marxist model of the 'petty commodity' sector. Early neo-Marxist development theorists were loosely divided into two groups, namely, the dependency theorists, of whom the main proponents were Baran, Frank, Wallerstein, Arrighi and Rey, and, the exponents of unequal exchange and unequal development theories of whom Emmanuel and Amin were the most prominent (in Brewer, 1983). The focus of these theories was on the development of capitalism in the peripheral formations with urban and rural unemployment and widening degrees of urban-rural and intra-rural economic differentiation. Almost all these development theories emphasised both the creation and permanent existence of a large pool of unemployed labour held in reserve until needed by the modern capitalist sector. However, none offered any coherent analysis of the dynamics of this group who were simply disregarded as a homogeneous group of people constituting a "reserve army of unemployed".

Following Reynolds a spate of both empirical and theoretical papers appeared bringing about a re-orientation of development thought from which two broad schools emerged - the reformist and Marxist schools. More relevant, however, was the fact that initial government reaction in relevant urban centres worldwide, began to change from primarily pure ignorance or disapproval and harassment of informal sector participants to one of approval and even admiration. The International Labour Organization (ILO) 1972 report on the informal sector in Nairobi, Kenya represented this watershed in official thinking. For the first time, the informal sector was being hailed as an integral part of the urban sector which had an important and positive role to play in the solution to Third World development problems.

This point of view is championed by the reformist school, represented by the ILO and World Bank which see the informal sector as both a nursery wherein entrepreneurial skills are fostered and an adjunct to the formal sector whereby savings may be made on imports. Furthermore, the informal sector plays an important welfare and redistributive role in that it provides incomes for otherwise unemployed and unemployable urban residents, possibly creating further income distribution with rural households receiving larger remittances from urban migrants. This perception of the informal sector is very positive, the sector being capable of vast potential for employment creation and growth not only in its own right as a subsector of the general economy but also giving impetus for growth to certain elements of the formal sector.

An opposing viewpoint is held by the Marxist (also known as the petty commodity) school which, essentially, replaces the formal/informal dichotomy with a model reflecting the articulation of different forms and modes of production which are asymmetrically interwoven by relations of domination-subordination (Rogerson, 1986:6). It is argued that this petty commodity production sector is not independent of the capitalist production sector but is fully integrated and subordinated to it.

Firstly, the activities of this sector act as an indirect transfer that benefits the urban capitalist sector. By producing cheap goods and services, overall cost of living is kept down reducing workers' wage demands in the capitalist sector thereby allowing larger profits to be made by the capitalists. Secondly, by producing primarily, although not exclusively, low cost, marginally profitable goods and services for the domestic market, it allows the formal sector to concentrate on the production and distribution of more profitable goods and services both for the domestic and export market. Simultaneously, the informal sector provides a protected market for the products of the formal sector. Thirdly, there is a direct transfer of profits from the informal sector to the formal and state service sectors in the form of hire fees, interest repayments on loans, bribes, licenses and taxes. Such payments

can reduce by a substantial proportion the actual returns received by petty commodity producers. Fourthly, because the informal sector often comprises family employment with household heads offering welfare employment to their relatives, this reduces the burden on the state to introduce adequate systems of social security and welfare. Finally, the existence of the informal sector, characterized by labour intensity, alleviates the 'Employment Crises' experienced in much of the Third World (Rogerson, 1986:7) and may promote political stability.

Having briefly traced the historical development of the two major schools of thought on the informal sector, the discussion now evolves to an analysis of the location of the informal sector in the general economy and a description of the major characteristics of its constituents. Prior to doing so, however, it is important to clarify the meaning of the informal sector concept and, to do this, it is necessary to define it.

## 2.2 Definition

Defining the informal sector has been the subject of fierce controversy, and one of the earliest definitions of the informal sector was documented by Hart (1973) who regarded this sector as, "... the unenumerated sector characterised by self employment". The ILO (1972) defines the informal sector by identifying a set of characteristics which sets it apart from the formal sector including ease of entry, reliance on indigenous resources, family ownership of enterprises, small scale operations and unregulated and competitive markets. More recently (in Bendheim, 1987:13) the ILO has provided a more comprehensive definition claiming that, "... the informal sector would seem to include only activities which are marginally productive such as small-scale trading and household and personal services". Portes and Walton (in Trager, 1987:239) describe the informal sector as that encompassing,

"...all income-producing activities outside formal sector wages and social security payments". Such a definition encompasses the diversity and heterogeneity of informal sector activities and includes both the self employed non-wage or family

labour, as well as those who are employed at below minimum wages and with no social security protection. Fair defined the informal sector as, "individual or family enterprises where no regular salaries or wages are earned" (in Bendheim, 1987:14).

It is now clear from the preceding analysis that there are considerable theoretical differences as regards the approaches to the informal sector between various schools of thought in the field of development studies. Likewise, there are numerous definitions, each with an implicit ideological bias. Without allowing either of the major schools of thought to determine the ideological view held by the authors, the informal sector for the purpose of this report will be defined as follows:

*The informal sector consists of a heterogeneous collection of small enterprises determined by and performing both social and economic factors, characterised by petty commodity production relations comprising potentially economically active persons either pushed or pulled into the formal sector.*

The relationship between the informal and formal sector, therefore, is an important dynamic whose understanding is a prerequisite for the understanding of the informal sector. However, before analysing this relationship it is necessary to first locate the informal sector within the economy.

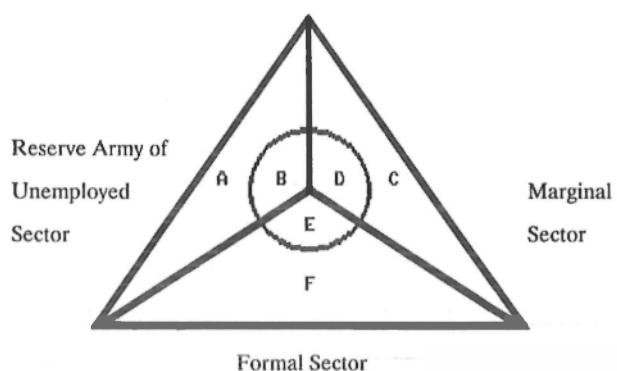
### **2.3 An Intergrated Model of the Informal Sector**

It is often assumed that in adopting a certain paradigm, insights offered by rival interpretations are automatically excluded. Informal or petty commodity sector debates are, unfortunately no exception and an integrated theoretical approach is necessary in order to combine the more relative aspects of each approach. This exercise in itself is subjective as what constitutes a relative aspect depends on personal interpretation.

Nattrass (1987:862) has provided a model which locates the informal sector within the general economy. However, her model neglects a more detailed analysis of the dynamics of participation and for this reason Figure 1 has been adopted to include such analysis.

Figure 1 consists of three adjacent triangles representing the reserve army of unemployed sector, the marginal sector and the formal sector of the economy. A circle overlapping the meeting point of all three triangles comprises the informal sector.

**Figure 1: Locating the Informal Sector**



Original Source: Nattrass, 1987:862

### 2.3.1 The Reserve Army of the Unemployed

The reserve army of unemployed consists of those people who have either the skills or experience to be employed in the formal sector. However, because the current supply of labour is greater than the demand for labour, they remain surplus to the needs of the formal sector. Nevertheless, given some macroeconomic expansion it is likely that constituents of this sector would be the first to be employed. This sector is divided into two parts:

The first, consisting of those people who are full time job seekers living off accumulated savings, state welfare or family support. These people are not productively engaged in any form of production or service and, therefore, do not fall under the ambit of the informal sector. They are represented in the Section 'a' in Figure 1.

The second sub-sector consists of similar persons to those above who have however ceased their fulltime job search and do not necessarily rely on savings and welfare for subsistence. This group of people have entered the informal sector 'b' as a temporary measure. However, for some, this temporary pressure becomes permanent and, in order to understand this, it is necessary to analyse the push/pull factors influencing the entrants.

Clearly, the dominating push factor for the reserve army of the unemployed is economic necessity. For the majority of these informal sector participants, it is likely that their tenure in the sector will be perceived as temporary and that they plan to leave as soon as formal sector jobs become available. However, for some of these people a number of pull forces act on them in such a manner that the temporary nature of their stay becomes permanent. The desire to make a surplus or profit would rank paramount among pull forces and the desire for self employment is important. The ease of entry, depending on the type of activity involved, acts as yet another pull force and is essentially made up of a number of factors. The majority of operational activities do not require much capital investment, overheads are generally low, bureaucratic formalities limited and codes of employment restricted to acceptable community norms and mores.

### 2.3.2 The Marginal Sector

The marginal sector represents a wide spectrum of people who have little in common apart from the fact that they are unemployable in the formal sector or remain strictly within the domestic sector. A combination of low levels of education, lack of skills and inexperience places these people on the outer peripheries of the urban economy. This group includes

recent migrants, housewives, unskilled workseekers, school leavers, invalids and generally those who are unable and/or unwilling to seek formal employment. Unlikely ever to get employment in the formal sector, some are pushed or pulled into the informal sector 'd' while others constitute what Nattrass (1987:862) describes as the 'dregs' within the marginal pole - 'c'. This latter group survive through handouts, scavenging, begging and thieving. However, care must be taken in disregarding some of these activities as being neither formal nor informal sector activities. De Kock's (1986) study illustrated how garbage pickers are indeed members of the informal sector. Furthermore, although the process of thieving (crime) is not necessarily an informal sector activity, the consumption or redistribution of stolen goods is. Given the complexities of such an analysis, it would suffice to say that a group of non-productive people exist who are neither in the formal nor the informal sector.

The marginal sector participants within the informal sector experience similar push/pull forces as those who entered via the reserve army of the unemployed sector. A number of supplementary forces also act in influencing marginal sector participants in the informal sector, of which an inability to obtain employment in the formal sector regardless of employment opportunities in that sector, is an important push factor. The gender bias which exists among people in the marginal sector means that often housewives and other female members of households are more likely to be members of the marginal sector than males. It would be plausible, therefore, that their entry into the informal sector would be motivated by the need to create a secondary source of income. Given, their unemployable status, it can be assumed that, although for a proportion of these women their stay is temporary, for a much bigger proportion it is likely to be permanent. It is important to separate this group from those whose participation is motivated by necessity rather than by choice.

### **2.3.3 The Formal Sector**

Finally, the formal sector comprises two major parts - 'f' which includes those working in the formal sector full time and 'e' which are those who, whilst occupying jobs in the formal sector, also supplement their incomes with informal productive activities. Major push factors influencing this latter group's participation in the informal sector are low incomes, no long term prospects for any type of formal sector advancement, the need to undertake a self run enterprise and the illegality of the activity in question. This latter activity includes drug peddling, prostitution, producing and distributing pornographic material and a host of other vices or illegal activities, which, by their nature, cannot function in the formal sector and thus push the operators out of the formal sector and pull them into the informal sector. The same pull forces acting upon the reserve army of unemployed and marginal sectors also influence those persons in sub-sector 'e'.

### **2.3.4 Interconnections**

Although the underlying principle in the above analysis is a push/pull model, the diagram itself has further implications, one of the major implications being that, due to its composite structure, the informal sector is not a self-contained unit but is linked to the socio-economic infrastructure of the rest of the urban environment. Furthermore, it is difficult to plot the dividing line between the two sectors. To actually identify what and who constitute the informal sector depends on the definition involved.

Given the large range of activities that are to be found in both the formal and informal sectors, often the lack of an official licence or moral approval serves as the means whereby they can be differentiated. However, this classifies the activity and not the organization or its function. Furthermore, the measurement of the extent of the informal sector is an enormous task in itself, particularly given that household incomes may come from both

sectors and individuals change their residential and work patterns more than once in a lifetime. This is especially true of women who drift between domestic, informal and formal activities more fluidly and frequently than men. Drakakis-Smith (1987:68) expands on this by illustrating how many women undertake part time factory work in the formal sector, cook food for other family members to sell on the streets, thus operating in the informal sector and undertaking normal domestic work thereby working in all three sectors in the same day.

To an extent, therefore, each activity is interdependent upon the other. This level of interdependence is not restricted to informal sector participants but also exists in the form of linkages between the informal and formal sector. The following section analyses these linkages with a particular emphasis on how changes in one sector affect the other.

#### **2.4      Linkages**

Sarakinski and Keenan (in Rodgers, 1988) argue that much of the current rapid expansion of the informal sector within South Africa's Black townships and rural Bantustans is inseparable from the arrested development or even demise of the formal sector which is simply not expanding at a sufficient pace to absorb the potentially economically active population. Given increasing levels of unemployment and underemployment an increasing numbers of potentially economically active people are being either pushed or pulled or both into the informal sector. On the one hand, because, the informal sector acts as a refuge from the formal sector, its persistence and expansion is directly linked to that of the latter. On the other hand, however, the formal sector depends on the informal sector to act both as a source of goods and services and also provide a market for its own produce.

Backward and forward linkages indicate the extent to which the informal sector is integrated into the national economy and particularly its relationship to the formal sector. Backward linkages show the extent to which the informal sector obtains its inputs from

beyond its borders while forward linkages show the markets beyond its borders. A number of ILO studies undertaken in West Africa show distinctly different relationships existing between the two sectors (in Trager, 1987:244). One such study of the informal sector in Lagos showed that there were relatively few backward linkages directly related to the formal sector. Indeed, most raw materials and goods were obtained from within the borders of the informal sector, indicating therefore, that the informal sector has stronger backward linkages within itself. Another study undertaken in Freetown, found that most informal sector industrial activities were closely tied to the formal sector in an extensive and subordinate manner. Yet another study in Kumasi indicated that although the direct backward linkages with the formal sector were weak, a significant number of indirect linkages through middlemen or intermediaries existed. The same studies found that, with regard to forward linkages, ties to the formal sector are minimal. Trager (1987:245) argued that the picture that would seem to emerge from these studies is that the informal sector in West Africa does not have any direct forward linkages with the formal sector but does have some direct backward linkages.

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South African case studies (Maasdorp and Pillay, 1978; Morris, 1980; Wellings and Sutcliffe, 1984; Tomaselli and Beavon, 1984; Nattrass, 1987 and Krige, 1988) have found that although very few forward linkages exist with the formal sector, backward linkages are highly prevalent. Krige (1988: 22-23) argued that an examination of the forward linkages of the KwaMashu informal sector showed that through the sale of goods and services, little capital is drawn into the informal sector from the formal sector. The majority of forward linkages were found to be primarily within the informal sector itself.

On the other hand, however, the majority of these studies have found that extensive backward linkages exist through a combination of either the purchase of inputs (Wellings and Sutcliffe, 1984; Nattrass, 1987), investment of capital earned as wages in the formal sector (Krige, 1988) or through marketing networks as dependent or commission sellers (Tomaselli and Beavon, 1986). Specifically, it is argued that, because of these linkages, the

growth of the formal sector may create a host of opportunities for the expansion of informal sector activities. The generation of new jobs in South Africa's formal economy would have a positive spin-off impact in terms of creating a range of additional or expanded income opportunities for informal sector enterprises and participants (Rogerson, 1988). Krige (1988:22) adds that the size of the market is ultimately determined by the extent of wage employment and varies with it. On the one hand, therefore, if the formal sector is in recession then the informal sector market, being dependent on income earned in the formal sector, may also decline. On the other hand, a decrease in formal sector earnings may allow the informal sector to increase its share of the existing market as consumers are attracted perhaps to lower quality but substantially cheaper goods or services.

Rogerson outlines the various forms of direct linkages that may exist between formal and informal sectors.

In the first form of linkage, informal street traders become integrated into the formal sector marketing networks either as dependent or commission sellers of a range of commodities, including food, newspapers or cigarettes. Rogerson (1988) argued that such arrangements are commonplace in the South African economy, illustrating this argument with the number of daily press advertisements proclaiming 'Hawker Specials' in order to attract more hawkers into the sale of cosmetics, toiletries, clothing or other soft goods in townships on a commission basis for central city stores or wholesalers.

The second form of linkage occurs most frequently in the situation of those most marginal workers who scavenge for paper, glass, plastics or other recyclable-goods. These informal sector participants are integrally linked to the formal sector through recycling of waste materials, their fortunes dependent on formal sector demand for waste products although many of these waste products are recycled within the informal sector (de Kock, 1987).

The third form of linkage is especially prevalent in the construction sector. In the developing world, considerable utilization of gangs of casual or informal sector workers are used as sub-contractors for a formal sector enterprise (Drakakis-Smith, 1987). In the case of some Western countries this has almost always been the case, Greece and Turkey being good examples. More recently, however, this trend has begun to emerge within the more advanced countries notably the United Kingdom where, because of increasing levels of unemployment, many economically active but unemployed or underemployed, skilled and semi-skilled workers have turned to informal sector 'moonlighting' activities. With their previous work experience giving them credibility, their provision of cheaper services and instant availability, has made them a viable alternative for sub-contracting, as opposed to formal enterprise.

The fourth form of linkage is in the sphere of production where it has been shown, through several studies in the developing world, that many sectors of formal industry subcontract the more labour-intensive parts of production to informal or backyard manufacturers (Gerry; Peattie; Portes, Blitger and Curtis, all in Rogerson, 1988). Extensive labour legislation and an oversupply of labour means that formal sector enterprises have both the incentive and facility to by-pass the regulatory constraints on the use of formal sector labour in favour of the highly elastic supply offered by informal sector workers. In the urban townships a recent interesting development has been the subcontracting to informal sector township industrialists some of the less profitable and most risky elements of production (Rogerson and da Silva in Rogerson, 1988).

In concluding this section it can be stated that the above four examples serve to re-enforce the fact that much informal sector growth in South Africa is either a direct or indirect product of expansion taking place in the formal sector. Furthermore, they underline that it would be an error simply to conceive of the informal sector as exclusively a refuge for those persons excluded from formal sector employment. In other words, not all participants of the informal sector are pushed into it but rather that many are also pulled into it.

### **3        The Greater Durban Metropolitan Region (GDMR).**

An examination of the informal sector in the Durban area is subject to complications at the outset. At the spatial level there are conflicting definitions of what constitutes Durban itself. As it is not the purpose of this study to argue this problem, the definition used by the Durban Metropolitan Transport Advisory Board (DMTAB) has been accepted. This is known as the Durban Metropolitan Region and has been used by a number of key studies (Jeffrey, 1987; Graaf, 1987). Map 1 depicts the area that falls within the boundary of the Durban Metropolitan Region (DMR).

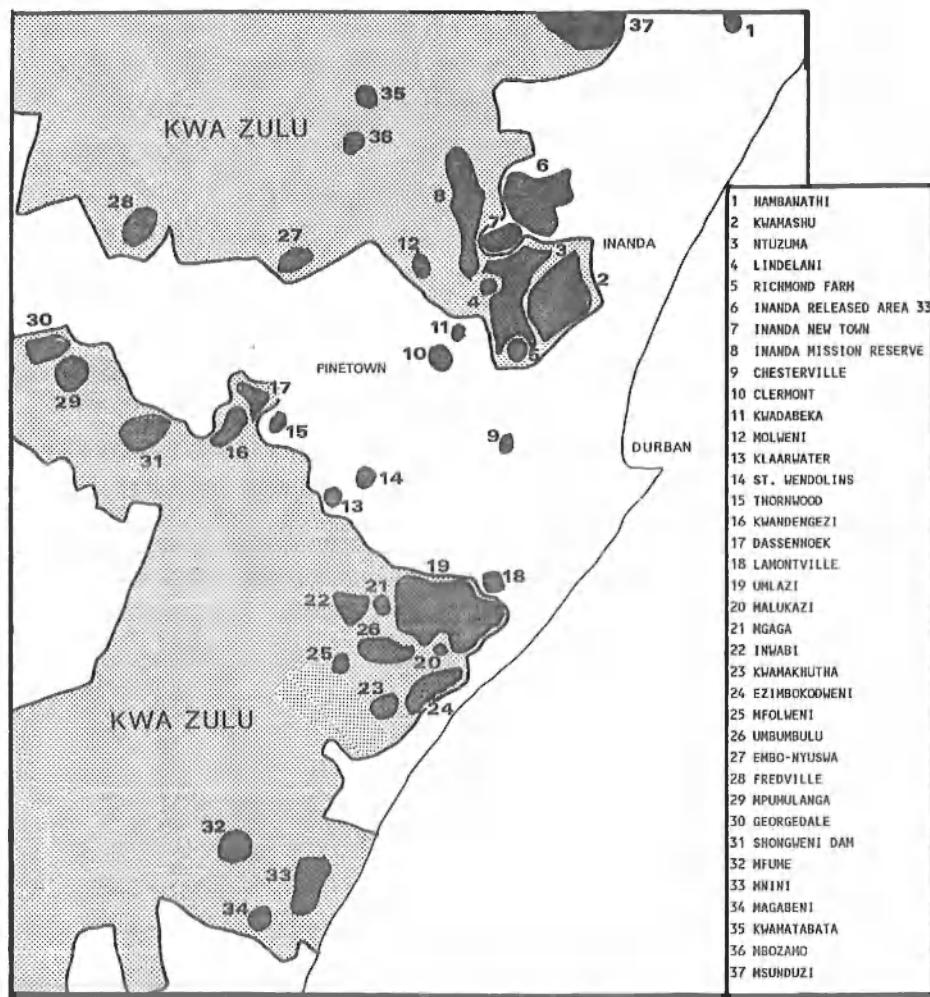
The key to Map 1 illustrates the major formal and informal rural and urban black settlements that fall within these boundaries. For the purposes of this study, we have also included those settlements marked 35, 36 and 37 (which are omitted from the DMTAB defined area) as they have been among those areas which have witnessed the most rapid population growth rates in the past two years, a trend which is likely to continue in the future. This expanded area is referred to as the Greater Durban Metropolitan Region (GDMR) and will be used throughout this document. It must be noted, however that urbanisation is a dynamic process and it is probable that there are very recent settlements which might have been omitted.<sup>1</sup>

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1        The Rural/Urban Studies Unit, has initiated a study which will attempt to gather this information.

**Map 1: Greater Durban Metropolitan Region**

Formal and Informal Settlements



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## **4        The Determinants of Growth in the Informal Sector**

### **4.1      Introduction**

As has been shown above, the informal sector contains two dynamics, push forces as the unemployed and/or destitute are forced into the sector as a way in which to subsist, and pull forces as the prospects of achieving a higher income and the advantages of self-employment attract the entrepreneur minded and secondary income-earners into the sector. Consequently, the extent and the growth rate of the informal sector as a whole, and of its various sub-sectors, is closely related to both levels of unemployment and of demand. While the rate of unemployment and its increase are determined by economic factors, with a cyclical component such as the various business cycles, and a structural component, such as capital/labour ratios, business confidence and so on, the actual number of unemployed in any specific region is dependent upon the size of the region's population, its population growth rate, regional economic capacity and economic growth rate. Likewise, the demand for the goods and services produced in the informal sector is itself related to unemployment, income levels, and regional economic growth as well as to competition with and linkages to the formal sector. The actual composition and prospects of the informal sector is therefore dependent upon the inter-relationship of these forces - for example, higher unemployment may lead to greater numbers being pushed into the informal sector, but the resultant fall in income may reduce the demand for these services diminishing both the number of people who are pulled into the sector and perhaps the likelihood of wealth formation within the sector.

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It is crucial therefore, to base any analysis of the size and growth of the informal sector in the Greater Durban Region upon the region's population, employment, economic and income trends. In particular, the case of the GDMR is uniquely complex with the white economic metropolis closely interlocked with the surrounding KwaZulu areas in which the

black population is rapidly increasing both through a high birth rate, and through very high rates of in-migration. This urbanisation means that the population dynamics of the GDMR need to be examined in some detail so as to provide comprehensive understanding of the role of the informal sector.

#### **4.2 Population Size and Projections to 2000**

Estimates of the size of the African population in the Durban region have always proved to be problematic. The presence of a large number of in-migrants considered to be "illegals" under the now abolished influx control legislation (1952 Native Urban Areas Act), as well as defining the precise boundaries of the urban complex have prevented a precise enumeration of the population living in its many components. Furthermore, the physical problems of conducting a census in crowded shack settlements has meant that population size can only be estimated by drawing on surveys.

Recently, the availability of accurate aerial ortho-photographs have permitted a more accurate assessment of the population in the various settlements around Durban. A full list of these settlements and their populations, is provided in Appendix A, and Table 1 shows the figures are for the Durban Metropolitan Region grouped according to settlement type. The table also regresses the population data to 1980 and provides projections based upon the type of settlement pattern to the year 2000.

As can be seen from the Table, the majority of Africans in the GDMR are to be found in the Northern Areas, in particular in KwaMashu and Inanda. In 1987, the Northern areas contained 44 percent of Africans living in the DMR, a position which is likely to remain unchanged. Nonetheless, the Southern areas contained only a marginally smaller proportion, at 39 percent, and the formal township of Umlazi houses the single largest population. Finally, the Western Areas housed the smallest proportion at just under 12 percent, although this share is expected to increase marginally by the year 2000.

**Table 1**  
**Population Size and Projections for 1980 - 2000 for**  
**African Settlements in the Greater Durban Metropolitan Region**

Area	Pop (80)	Pop (85)	Pop (87)	Pop (2000)
<b>DMR</b>				
Northern Areas				
Formal	221580	270500	293300	495500
Urban Informal	103570	251400	296200	593900
Rural Informal	16000	27500	31600	111500
Total	441150	549400	621100	1200900
Western Areas				
Formal	84050	97800	115100	189000
Urban Informal	12000	14700	17500	35000
Rural Informal	15200	24900	30000	105900
Total	111250	137400	162600	329900
Southern Areas				
Formal	303100	369800	397900	660500
Urban Informal	42500	54800	61700	124000
Rural Informal	40900	70000	80700	285100
Total	386500	494600	540300	1069600
<b>Outside DMR</b>				
Formal	65700	80600	85900	141200
Urban Informal	29000	35400	42200	84600
Rural Informal	207300	343900	409000	1444800
Total	302000	459900	537100	1670600
<b>GDMR</b>				
Formal	674430	818700	892200	1486200
Urban Informal	287070	356300	417600	837500
Rural Informal	279400	466300	551300	1947300
Total	1240900	1641300	1861100	4271000

Source : Table A1, and Table A2, in Appendix A

As was noted in Section 3, restricting the urban population of Durban to the DMR excludes those areas in which population growth has recently been most rapid, and in which is likely to continue to grow unabated. The population in these areas amounted to some 460 000 in 1985, the bulk of which was to be found in two "rural" areas - the southern half of Ndwedwe, and the Shongweni-Georgedale complex. When the population of the DMR is combined with that in these areas which lie outside the DMR, thereby making up the GDMR the African population is estimated at 1,6 million at present increasing to 4,3

million by the end of the century. The proportion of the total African population of the GDMR living outside of the DMR increases rapidly from 24 percent in 1985 to 39 percent in 2000. Finally, at the regional level, if Jill Natrass's (1987) projection that the African population of KwaZulu/Natal will increase from 5,4 million in 1985 to 7,9 million in 2000 is accepted, the proportion of Africans living in the GDMR will increase from 22 percent in 1985 to 54 percent in 2000.

The final theme to be considered in this section refers to the estimated growth rates of the African population of the Greater Durban Metropolitan Region. As with enumerating the size of the population, rates of urbanisation are also open to debate. A number of researchers have put forward their views on this subject, and Table 2 provides information on only those relevant to the GDMR and shows alternative growth rates of the urban African population.

The growth rates are based upon the identification of three settlement types: formal urban, the planned African townships; urban informal, the shack settlements on the periphery of the townships; and rural informal, shack and densely settled "rural" areas on the fringe of urban settlement but which are economically tied to Durban. Both urban informal and rural informal are considered to fall under the peri-urban category of the Table although the latter is assumed to have a greater growth potential. The estimates for urban settlements, including the formal townships, range from Graaf's carefully argued 3,9 percent to Davies and Fair's prediction of 6,4 percent, based upon comparison with other African countries. Peri-urban growth rates are more similar, although the KwaZulu Finance Corporation has provided figures which allow for the calculation of a growth rate of 10,2 percent for Durban's shack settlements between 1985 and 1987, a slight increase on the Financial Mail's estimate of 9 percent in 1984.

While these varying estimates are based upon different assumptions, it is not the purpose of this document to provide an evaluation of the merits of each of these (cf Jeffery,  
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forthcoming for this). Based upon an examination of the Inkatha Institute's well publicized mapping of KwaZulu\Natal, as well as information derived from a number of studies in and around the GDMR, the estimated growth rates have been applied to the individual settlements of the GDMR in a differentiated manner. This approach is likely to yield a more realistic picture of the population of the GDMR and of its anticipated increase rather than the blanket application of one or other estimate.

**Table 2**  
**Estimated Population Growth Rates of Africans in the GDMR**

Researcher/s	Growth Rates		
	Urban	Peri-urban	Rural
Graaf (1986)	3.90	5.50	1.60
Haarhof (1984)	6.20	6.00	-0.20
Simkins (1983)	4.50	5.50	0.00
Simkins (1983)	4.10	5.10	0.90
Cilliers & Groenewald (1982)	3.97	X	X
Financial Mail (1984)	X	9.00	X
Davies & Fair (1985)	6.40	X	X
Jeffery (1987)	X	6.70	X
KwaZulu Finance Corporation (1988)	X	10.20	X

Those formal areas, in which extensive expansion is not anticipated, are expected to grow at Graaf's urban rate of 3,9 percent per annum. Existing urban informal settlements, which have reached the limits of their physical expansion in terms of space and terrain, are expected to grow at Graaf's peri-urban rate of 5,5 percent per annum. Those urban informal settlements which have not yet reached their physical maximum size are expected to grow at Haarhof's more rapid estimate of 6,0 percent, and finally, the rural informal settlements are expected to grow at least as fast as they have done in the past, at 10,2 percent per annum. Using these differing growth rates yields an anticipated overall growth rate of 6,5 percent per annum.

From this, the formal population of the GDMR is expected to grow from 818700 in 1985 to 1486200 in 2000, an average of 44000 people per annum; the urban informal population growing from 356300 in 1985 to 837500, an average of 32000 people per annum; and the rural informal population growing from 466300 in 1985 to 1947300 in 2000, an average of 99000 people per annum. The total African population of the GDMR thus grows at an average of 177000 people per annum from 1985 to 2000.

In general, the proportion of the population living in formal townships has steadily declined since 1980, and will continue to do so at an accelerating pace. In contrast, the proportion of the population living in informal or shack settlements located in previously rural areas on the periphery of the city is increasing rapidly to become the largest settlement type by 2000.

#### **4.3 Economic Structure and Growth**

The economic structure of KwaZulu/Natal has received a good deal of attention since the formation of the "Indaba". Nonetheless, 1981 is the most recent year for which accurate data on the Gross Geographic Product (GGP) of both KwaZulu and Natal is available and has had to serve as the basis on which most analysis rests. In 1978 the KwaZulu/Natal region contributed only 13,8 percent of the total product in South Africa, decreasing slightly to an estimated 13,7 percent in 1981 (see Table 3). Within the region, KwaZulu contributed 5,9 percent of the regional output in 1978, and 6,5 percent in 1981. Although regional estimates of Gross Domestic Product (GDP) should be treated with caution, this data does show the relative underdevelopment of KwaZulu and the almost constant gap between the outputs of the two regions in relative terms. In addition, the KwaZulu/Natal region as a whole is falling behind the rest of the economy in terms of GGP and per capita living standards.

**Table 3**  
**GDP/GGP for South Africa and KwaZulu Natal**  
(R million)

Year	Natal	KwaZulu	KwaZulu/ Natal	RSA (incl tax)
1978	4 683	294	4 977	35 941
1981	8 461	589	9 050	66 247

Corrected to 1980 prices.

Source: Central Statistical Services (1988)  
Development Bank of South Africa (1987)

Examining the sectoral breakdown of the regional economy, in the crucial growth areas, (manufacturing, construction and financial services,) Natal's contribution exceeds 90 percent. Within Natal, manufacturing is the most important sector (29,7 percent whereas 'other services' (mostly local government and administration) is most important in KwaZulu (33 percent). Whereas agriculture, almost entirely cash crops, contributed 7,5 percent of Natal's gross output; agriculture (mostly subsistence) contributed 28 percent to KwaZulu's output. Consequently, an enormous disparity exists between the regions in terms of their growth potential. The KwaZulu economy is essentially geared towards consumption and administration, whereas that of Natal is geared to production.

Estimates of the growth rate of the economy are even more subject to error given the outdated data that is available. Du Pisanie and Meintjes (1986) of CenBank have attempted this exercise however, and conclude that the KwaZulu/Natal economy grew at an average rate of 4,8 percent in real terms for the period 1968-1985. While both Corbett (1988) and Nattrass (1987) felt that this rate is over-optimistic for future growth<sup>1</sup>, this

1 Indeed Du Pisanie and Meintjes' own figures show a slump from 1980 to 1983 with a slow recovery thereafter. Given recent expectations of a national GDP growth rate of 3 percent for 1988, Du Pisanie and Meintje's regional growth rate implies that KwaZulu/Natal is still increasing its share of output in the national economy. Moreover, they go on to suggest that the real disposable income of the Durban/Pinetown/Pietermaritzburg metropole could approach the current figure of the PWV metropole by the year 2000 (Spies, 1986), thereby increasing its share of the regional economy.

figure will be used for projecting the growth of the informal sector. This assumption of a higher growth rate would seem to be acceptable in the case of the GDMR given the region relative importance in KwaZulu/Natal the Unit for Futures Research's concludes that the sub-region, including Pinetown and Pietermaritzburg, accounts for: about 70 percent of the GGP of Natal/KwaZulu; about 75 percent of the value of manufacturing; about 75 percent of the value of commerce; about 62 percent of the value of construction; and about 77 percent of the value of transport (Spies, 1986).

#### 4.4 Wage Levels and Household Income

To turn from statistics of macro-economic behaviour to the incomes of individual households, at the outset, it should be noted that the absence of any official data on household incomes, particularly in respect of the African population, places severe constraints upon the development of a comprehensive data base and the sole source of information on African household incomes is from survey data.

Even at this level, there are problems associated with gathering data on household incomes. Respondents are often not fully aware of the financial situation of all members of the household. Further, respondents are often unwilling to disclose exact information on income for reasons of privacy or embarrassment. Consequently, the figures presented in Table 4 should be viewed as "soft estimates" rather than as "hard data".

These household incomes should be examined in the light of a hypothetical minimum income necessary for the continued subsistence of African households in the Durban region that has been calculated by the Institute for Planning Research at the University of Port Elizabeth referred to as the Household Subsistence Level (HSL).

**Table 4**  
**African Household Incomes for Selected Areas in the GDMR**  
 (Current prices)

Area Settlement		Year Average	M'thly Income
Umlazi	Formal	1985	(R) 644,52
KwaMashu <sup>(1)</sup>	Formal	1985	694,00
KwaMagaga	Informal	1985	229,12
Mfolweni	Informal	1985	394,36
Inanda <sup>(2)</sup>	Informal	1985	250,00
BMR <sup>(3)</sup>	Formal	1985	682,25
Emolweni	Informal	1987	375,10
Embo-Nyuswa	Informal	1987	344,20
Fredville	Informal	1987	202,29
KwaMatabata	Informal	1987	187,19
Chesterville <sup>(4)</sup>	Formal	1988	537,00

Sources: Rural/Urban Studies Data Base except:

1. Krige (1985)
2. Sutcliffe and Wellings (1986)
3. Van Wyk (1986) includes Umlazi, KwaMashu and Lamontville
4. Durban Metropolitan Chamber of Commerce (1988)

From this, it is clear that with the exception of Umlazi and Mfolweni, all of the areas fall below the HSL for 1986 of R374,16. Should the Household Estimate Level (HEL) be used as a measure of minimum levels of subsistence, then the figure becomes R561,24.<sup>1</sup> It can be deduced therefore that the outlying areas of the GDMR, which it will be recalled are expanding most rapidly, are poorer than the formal townships and earn less than what is needed for subsistence expenditure. However, research has also shown that despite this relative poverty within the urban areas, incomes are still higher in the rural informal settlements than in the true rural areas of KwaZulu (May, 1988).

1 HSL measures the monthly expenditure on: food, clothing, rent (including rates, water, electricity/ fuel), cleaning equipment (personal and household) and transport for the equipment working members whereas HEL multiplies the HSL by 1,5 in order to include average monthly expenditure on: education, health, transport of other household members, and so on.

#### **4.5 Unemployment**

The measurement of current unemployment rates and projected unemployment levels is always a difficult and contentious issue. Any conclusion reached on the level of unemployment in one particular region depends not only in being able to identify the size of the labour force for that region but also on the definition of what constitutes unemployment (cf. Moll, 1986 on this subject).

It was calculated above that the population growth rate for the GDMR is in the order of 6,5 percent per annum. Nattrass (1987) has estimated that for KwaZulu the growth rate of the labour force will average 7,2 percent per annum for the 15 year period between 1985 and 2000. Thus, using these estimates, the African labour force in the GDMR may be expected to increase by 183 percent or by approximately nearly 1 million workers (see Table 5).

**Table 5**  
**Projected African Labour Force in the GDMR, 1985 - 2000**

Year	Population	Labour Force
1985	1712300	539800
1990	2342200	774900
1995	3203800	1096100
2000	4382400	1526200

The only official source of unemployment statistics is the Current Population Survey (CPS) with which the Central Statistical Services claim calculates official black unemployment in accordance with international definitions. A number of writers have criticised this figure as being too conservative (Moll, 1986; Sarakinsky and Keenan, 1986) arguing that the particular conditions found in South Africa preclude many of the assumptions made by the

CPS. For example, as absolute unemployment becomes greater and the period of unemployment longer, Africans may discontinue their job search, relying upon subsistence agriculture, informal sector production and intra-family transfers. Partly this is due to demotivation and partly due to the economic costs required in getting to a labour bureau or into town to look for work. Whatever the reason, they would no longer be seen as being unemployed in CPS terms and instead would fall into the economically inactive category. Clearly therefore official figures on unemployment must be treated with extreme caution as they do not necessarily reflect the level of joblessness.

The most up-to-date figure available is the official CPS, which is consistently the lowest of all unemployment estimates bearing in mind the criticism which has been levelled at the CPS and the fact that there has been a significant leap in the CPS figure from 1986 to 1987, it is suggested that the present unemployment rate of 15,45 percent is likely to be a conservative estimate. In contrast to the CPS, the highest estimates are from research conducted by Horne, Glasson and Partners in Ntuzuma, which places male unemployment as high as 28,0 percent, and research in Umlazi, KwaMgaga and Mfolweni conducted by the Development Studies Unit, all of which place female unemployment at more than 29,0 percent. Generally however, the most feasible estimate for all the economically active, seems to be that made by Sanlam analysts of 18,0 percent in 1986 (reported in Race Relations Survey, 1988: 718), and is backed up by the Development Studies Unit's data for both men and women (May, 1987). With regard to the present, the Race Relations Survey (1988: 718) notes that unemployment levels continued to rise throughout the 1986/87 period and given the existing economic climate, there seems little reason to expect that this trend would be reversed.

In order to provide a quantitative estimate of what these unemployment rates mean in terms of the actual number of work-seekers, Table 6 provides data showing the projected unemployed population according to three of the unemployment rates discussed above.

**Table 6**  
**Projected Unemployment Levels of Africans in the GDMR**

Research Source	Unemployment est %	1985	1990	1995	2000
CPS	15,45	83399	119722	169347	235798
Sanlam	18,00	97164	139482	197298	274716
Horne Glasson	28,00	151144	216972	306908	427336
Econ active population		539800	774900	1096100	1526200

The projections are obviously limited in that they assume constant unemployment rates which the discussion above has shown to be improbable. However, to make appropriate adjustments to the unemployment rate would be a complex endeavor which may not yield significantly better projections in view of the widely differing estimates of the existing unemployment rate. With this reservation in mind, the Table shows that there are presently between 84000 and 151000 Africans in the economically active group who are unemployed. This figure increases rapidly to between 236000 and 427000 by 2000. This represents an average increase of at least 9400 unemployed Africans per annum, and at worst 18400 unemployed people per annum. Using the preferred Sanlam figure, this increase is 13000 unemployed per annum. This is particularly alarming in view of Nattrass' (1984) calculation that less than half the number of jobs required to employ new entrants to the labour market were actually created during the decade 1970-1980.

## 5 The Growth of the Informal Sector

### 5.1 Introduction

As discussed above, the principle determinants of the growth of the informal sector are derived from the push and pull factors which affect entry into the sector. Section 4 has  
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examined the specific dynamics of population growth and urbanisation, unemployment, economic growth and income levels. These factors intersect the model of informal sector participation that was discussed in Section 1 and have differing impacts upon the components of this model. The projections of the future probable growth of the informal sector are based upon the premise that the different segments of the informal sector will grow at rates similar to the factor which most affects that segment.

## 5.2 Participation in the Informal Sector

It is clear from Sections 1 and 2 that issues of paradigm, definition and the unit of analysis are of particular importance in any discussion of the informal sector. Moreover, as no comprehensive national study has been conducted on the extent of informal sector participation, the only available source of data are community based surveys. It is not surprising therefore that estimated participation rates vary widely, and even Government publications simply list the various findings (Presidents Council, 1985; Department of Manpower, 1984). Accepting this problem, Table 7 shows the percentage of households in different studies who were in receipt of an income from informal activities. These results have been aggregated by the type of settlement in which the survey was undertaken so as to provide a more generalised picture.

From Table 7, it appears that about one-third of African urban households are involved in some informal sector enterprise, a result which is supported by Friedland's (1987:108) overview of small business in South Africa. In addition, the frequency of activity appears to be higher in the informal or shack areas than in the townships. This seems logical given that incomes in these areas are lower than is the case in the formal townships, and therefore the need to engage in subsistence activities is probably greater.

**Table 7**  
**Participation Rates in the Informal Sector**  
 (Percentage of Households in Study)

Researcher	Area	Participation Rate %
Morris (1980)	Soweto	9,70
May (1986b)	Mfolweni	24,44
May (1986c)	KwaMgaga	24,47
Maasdorp (1983)	Clermont	25,50
May (1986a)	Umlazi	26,40
Glass/Nattrass (1984)	Katlehong	32,00
Krige (1985)	KwaMashu	39,80
Wellings/Sutcliffe (1984)	KwaMashu	50,00
Wheichel et al (1978)	Crossroads	50,00
Cross/Preston-Whyte (1983)	Peri-urban	69,00
Average in Formal Areas		31,58
Average in Informal Areas		38,68

However, this is not to say that one-third of the African population are dependent upon the informal sector. Most studies conclude that individuals and households participate in both the informal and formal sectors wherever possible so as to maximise their strategy of survival. In a peri-urban settlement on the edge of Durban, Cross and Preston-Whyte (1983) found that 57 percent of their surveyed households drew upon both formal and informal income sources and in Clermont, Maasdorp (1983) found that 25 percent of informal sector operators were themselves engaged in both informal and formal sector activities.

Changing the unit of analysis from the household to the economically active population, a similar picture emerges as is shown by the data in Table 8.

**Table 8**  
**Participation Rates in the Informal Sector**  
(Percentage of the Economically Active)

Researcher	Area	Participation Rate %
de Lange (1984)	RSA	20,00
Maasdorp (1983)	Clermont	21,00
Jacobs (1982)	Mdantsane	27,00
Cross/Preston-Whyte (1983)	Peri-urban	32,00
Rogerson/Beavon (1981)	Soweto	33,00
Krige (1985)	KwaMashu	41,00

Once again, approximately one third of the economically active population are involved in informal sector activities. Unfortunately, there are not sufficient surveys to compare rates in formal and informal settlements, although a casual examination of the data suggests that the activity rates are similar.

### 5.3 Projecting the Growth of the Informal Sector

Section 2 distinguished three supplying groups to the informal sector - the reserve army of the unemployed, the marginal pole and the formal sectors. Individuals within each group are seen to be attracted to the informal sector - pulled - by the prospects of self-employment and profit or are forced into it - pushed - by circumstances beyond their control. As a result, informal activities may be grouped into those enterprises whose frequency is dependent upon perceived prospects in the sector and which will be largely determined by the growth of the economy itself, and those enterprises whose frequency is related to the need to find a subsistence income, which in turn is dependent upon the growth of the reserve army of the unemployed and of the marginal pole. Cross and Preston-Whyte (1983:12) refer to these as "strategies of maximisation" and "strategies of desperation" respectively. While it is likely that it may be difficult to make such a distinction in practice, projections of the future expansion of the informal sector need to take these differences into account.

Nattrass and Glass (1986) have developed an analysis of the reasons for entry into the informal sector based upon this interaction of push and pull forces. This is used as the basis by which the results of other surveys can be grouped so as to provide a comparative picture of the dynamics of the informal sector. The results of this aggregation are shown in Table 9.

**Table 9**  
**Push/Pull Factors Influencing Participation  
in the Informal Sector**

Researcher	Area	Pushed	Pulled
Maasdorp (1983)	Clermont	46,20	53,80
Dewar/Watson (1981)	Crossroads	51,32	48,68
Nattrass/Glass (1986)	Inanda	52,60	47,40
Bendheim (1987)	Northern	53,85	46,15
Krige (1985)	KwaMashu	54,00	46,00
de Montille (1987)	Soweto	56,00	44,00
Nattrass (1987)	Umtata	80,00	20,00
Average		56,28	43,72

Estimates range from Maasdorp's low for push forces of 46,2 percent for Clermont in the early 1980's to Nattrass's high of 80,00 percent for Umtata in 1985. This disparity could reflect both regional differences as well as differences over time whereby the slackening economy has increased the number of operators who have been pushed into the sector. Using these estimates, Table 10 shows the number of informal sector enterprises by region in the Greater Durban Metropolitan Region. The data is for 1985 as this is the only year in which all necessary data is available showing a breakdown of the major dynamics of the informal sector. Operators are divided into those pushed and those pulled into the sector. The latter figures are derived from the population estimates in Table 1, the participation rates in Table 7, and the influencing factors in Table 9.

**Table 10**  
**Number of Informal Sector Enterprises**  
**(1985)**

Settlement Type	Informal enterprises	Pushed	Pull
<b>GDMR</b>			
Formal	28000	15800	12200
Urban Informal	14700	8300	6400
Rural Informal	19400	10900	8500
Total	62100	35000	27100

From this table, it would appear that there are some 62000 informal sector enterprises in the GDMR, most of which are to be found in the formal townships, although the combined informal settlements, urban and rural, make up 55 percent of the total. In all areas, push forces accounted for the majority of enterprises.

Further to this table, the African Council of Hawkers and Informal Business estimate that in South Africa there are at least 500000 black-owned businesses, some of which may fall into the informal sector, together with 100000 black owned taxis, 150000 hawkers and vendors, 50000 small shop-keepers (including shack-shops) and 70000 small backyard manufacturers (Business Day, 22/02/88). In the Durban central area alone, the Natal/KwaZulu Planning Council (1986:77) estimates that well over 600 individuals derive an income from informal sector activities, a number which increases over peak holiday seasons and during times of economic depression. It is quite likely therefore, that the estimate of 62100 informal sector enterprises in the GDMR is overly conservative and certainly underestimates the present position.

Thus to project the figures from Table 10, participation by the marginal population is assumed to grow at the rate of urbanisation, participation by the reserve army is assumed to grow at the rate of unemployment and finally, participation by those in the formal sector based upon the growth rate of the wider economy. The size of the informal sector is

thereby projected to show the present extent in 1988, and the anticipated number for the year 2000. The projection itself is based upon the push/pull model developed in Section 2 and Table 11 includes push and pull factors.

**Table 11**  
**Projections of Informal Sector Activities**  
**GDMR (Percentages in Brackets)**

Settlement type	1988			2000		
	Pushed	% Pulled	Total	Pushed	% Pulled	Total
Formal	17700 (55.7)	14100 (44.3)	31800	28000 (53.1)	24700 (46.9)	52700
Urban Inform.	9900 (57.2)	7400 (42.8)	17300	19900 (60.5)	13000 (39.5)	32900
Rural Inform.	13500 (57.9)	9800 (42.1)	23300	27200 (61.4)	17100 (38.6)	44300
Total	41100 (56.8)	31300 (43.2)	72400	75100 (57.8)	54800 (42.2)	129900

From this table, it appears that the number of informal sector operators has increased by 16 percent between 1985 and 1988. By 2000, this number is expected to have reached some 130 000, more than double the figure for 1985. The increase is most rapid in the rural informal settlements in which push forces are expected to account for 61 percent of the enterprises. It must be noted that estimates and projections of this kind must be treated with caution and serve only as a rough guide as to future scenarios. In reality, it is unlikely that entrance to the informal sector is exclusively determined by either push or pull forces, but rather by the interaction of both forces. In addition, the predictions are based upon the results of surveys, and therefore subject to the same biases and errors as the source. Nonetheless, given the foregoing theoretical and empirical analysis, it is more likely that the data contained in Table 11 is overly conservative rather than an over statement of the position in the year 2000.

## 6 Activities within the Informal Sector

Formal sector income opportunities can be derived from three major sources, namely:

1. Public sector wages.
2. Private sector wages, dividends and profits.
3. Transfer payments, including pensions, unemployment benefits and workman's compensation.

Informal sector income can be derived from a host of different activities. These activities were first identified by Hart who divided them into two broad categories of legitimate and illegitimate activities (in Dewar and Watson, 1981:41). Beavan and Mabin adapted Hart's model to the South African case study, dividing all informal sector activities into three broad categories:

1. Semi-formal opportunities, legitimate.
2. Informal, semi-legal opportunities.
3. Informal income opportunities, illegal.  
(In Durban City Engineers, 1983:32)

For the purposes of this paper, Beavan and Mabin's adaptation of Hart's model has been altered slightly so that 'semi-formal' reads 'informal' and a number of new activities are added to the three broad categories which are listed as follows:

#### **1. Informal Income Opportunities: Legitimate:**

- a) Productive and secondary activities: building contractors and associated activities, self employed artisans, shoemakers, tailors, knitters, carvers, artists, makers of sweetmeats, popcorn and samosas.
- b) Transporters (relatively large capital inputs): taxis, trucks.
- c) Distribution enterprises (varying amounts of capital inputs): rooming, commodity speculation, rentier activities.
- d) Small-scale distribution: market operatives, petty traders, street hawkers, caterers in food and drink, jumble sellers, legal lending - stokvels, garbage picking, sellers of offal.
- e) Other services: musicians and disc jockeys, launderers, shoeshiners and shoe repairs, hairdressers, photographers, vehicle repair and other maintenance workers, car washers, tinkers, ritual services, magic and medicine (sangoma), childcare.
- f) Small-scale renting: rooms, land.

contrast however, House's (1984:281) study of legitimate informal sector activities in Nairobi revealed that half the participants were involved in manufacturing, just under one third in services and the rest in trade and distribution. A number of explanations may be offered with regard to this contrast with other African countries. These include differing legislation, attitudes and perceptions of the population towards informal sector activities, ease of entry into the informal sector, existing channels of distribution and supply in both formal and informal sectors, the size and extent of manufacturing in the formal sector and the level of capital formation within the informal sector. Unfortunately, there is little evidence available by which to compare the two informal sectors - that of Kenya and South Africa. Suffice to say that, although at this stage, the informal sector in South Africa may generally be treated as a homogeneous unit, with the passage of time certain areas may start to develop characteristics more similar to those of Kenya. The recent Temporary Removal of Economic Restrictions Act, which essentially removes all legislative impediments for smaller entrepreneurs (including informal sector operators), could assist in this process. Given the structural imbalance of the South African economy in terms of geographic location, the informal sector may begin to redress the situation in those areas currently lacking formal sector activities.

#### 7      Incomes and Success in the Informal Sector

The success rate of the enterprises in the informal sector is not an unambiguous concept, as this could refer to the ability of an activity to generate a subsistence income, to make a profit, or to provide employment.

A survey conducted by Nattrass and Glass (1986) showed that the overall profit earning capacity of the informal sector was low in Inanda and Clermont. Indeed, half of the enterprises which they surveyed were earning a profit of R100 per month or less. Only 2 percent of their sample of 251 "firms" earned profits greater than R800 per month. Moreover, while the rate of return on invested capital appeared to be high, operators were

actually drawing an 'entrepreneurial wage' that was less than the average formal sector wage and rates of return excluded any allowance for depreciation on either historical cost or the inflated cost of asset replacement. Nattrass and Glass conclude that in real terms, the rate of return on investment in the informal sector is less than that on many lower risk alternatives (1986:51).

In terms of subsistence, Krige's (1985:148) results indicate that incomes from informal sector activities significantly improved the total income of the participating household. When this income was excluded from total household income, 47 percent of her sample received incomes which were less than the HSL. When included, the percentage below the HSL fell to only 15 percent. In their peri-urban settlement, Cross and Preston-Whyte (1983:12) note that 60 percent of their sample would be "uncomfortable" without the income earned from the informal sector. As a further benefit, informal sector income was found to lessen income inequalities in KwaMashu (Krige, 1985:152).

However, it is clear that the type of activity has a great influence upon the success of an informal sector enterprise. De Kock's (1987) study of garbage picking in the Durban area found that most pickers were unemployed, poor and had large families to support. She notes that the pickers were prepared to eat the food which they found on the dump as a strategy to avoid starvation. Wellings and Sutcliffe (1984:38) calculate that the mean annual income of hawkers was less than half the average income earned in the informal sector in KwaMashu and conclude that hawking is typically the least profitable informal sector activity in South Africa.

The employment generating capacity of the informal sector would also appear limited. Nattrass and Glass (1986) and Maasdorp(1983:61) found that 63 percent and 69 percent, respectively, of the enterprises surveyed were one person businesses. Maasdorp goes on to note that 15 percent of those who were "employed" by informal sector operators earned no

wage at all and Krige (1986) found that only 3 percent of her sample actually employed other people beyond family labour.

## 8 Conclusion

Having briefly traced the evolution of the concept of the 'informal sector' as identified and defined by the two major schools of thought on the subject, reformist and marxist, a definition was decided upon. However, given the fact that a multitude of various definitions already exist, there is little new that can be said. Nonetheless one new element has been added, the thread of which has been pursued through out this report - a push/pull dynamic. The informal sector has been taken to consist of a heterogeneous collection of small enterprises determined by and performing both social and economic factors, characterised by petty commodity production relations comprising potentially economically active persons either pushed or pulled from the formal sector.

The urban economy was identified as consisting of three separate but inter-related components, the formal sector, the reserve army of unemployed sector and the marginal sector. A number of push/pull factors act upon the constituents of these sectors, determining their location at certain moments in time. An inability of all three sectors to cope with the socio-economic aspirations and needs of many of these people gives rise to the informal sector. Among those pushed into the informal sector are people unable to secure employment in the formal sector, subsist in the marginal sector and state and family welfare in the reserve army of unemployed sector. Among those pulled into it are aspiring entrepreneurs and a multitude of others who for a number of reasons, including illegality, do not wish to operate within the formal sector.

The determinants of the growth of the informal sector affect these push/pull forces and their interaction may swell or reduce the number of informal sector enterprises. Pull forces are essentially demand led and are therefore determined by the growth of the regional

economy and income levels. Push forces are essentially affected by employment opportunities and by in-migration and population growth.

By including into the analysis the population growth, economic performance and growth in unemployment of the KwaZulu/Natal regional economy, the extent of the informal sector and its expansion have been calculated. In 1985, therefore, it is estimated that there were some 62 000 enterprises in the GDMR comprising 32 percent of households in the formal townships and 39 percent of households in the shack areas. By the year 2000 this figure is expected to have more than doubled to 130 000 enterprises. By comparing the results of a number of in-depth studies of the informal sector, and of reasons for entry, it was calculated that 56 percent of operators were pushed into the sector, as against 44 percent who were pulled. This ratio is expected to increase in favour of push forces and particularly in the shack areas.

The majority of legitimate informal sector activities in the major African townships surrounding the major white metropolitan areas are biased towards small-scale distribution activities. Manufacturing and services comprise the majority of all other legitimate activities of which knitting, sewing and construction are the most dominant.

Finally, while it is difficult to measure success in the case of informal sector enterprises, it would appear that despite low profit rates, and poor returns to invested capital, the informal sector does make a major contribution towards improving subsistence among African households. Its employment generating ability is however low, essentially restricted to the operator alone.

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## Appendix A

**TABLE A1: POPULATION SIZE AND PROJECTIONS FOR 1980 - 2000 FOR BLACK SETTLEMENTS IN THE DURBAN METROPOLITAN REGION**

Pop (2000)	Area	Pop (80)	Pop (85)	Pop
<b>Northern Areas</b>				
Hambanati	4180	5100	5500	900
Inanda Area 33	136500	166500	198600	398300
Inanda Mission	1970	2400	2900	5700
Inanda Newtown	24900	30400	36200	72700
Inanda Reserve	16000	27500	31600	111500
KwaMashu	172000	210000	224800	369700
Lindelani	59000	72000	85800	172100
Ntuzuma	20500	25000	26800	44100
Richmond Farm	6100	10500	8900	17800
Total Northern	441150	549400	621100	1200900
<b>Western Areas</b>				
Chesterville	10300	12600	13500	22100
Clermont	57000	60000	74500	122500
Dassenhoek	12800	22000	25300	89200
Emolweni	2400	2900	4700	16700
Klaarwater	2950	3600	3900	6300
KwaDabeka	4000	9600	10400	17000
KwaNdengezi	9800	12000	12800	21100
St Wendolins	9400	11500	13700	27400
Thornwood	2600	3200	3800	7600
Total Western	111250	137400	162600	329900
<b>Southern Areas</b>				
Embokodweni	15500	19000	22500	45200
Inwabi	14600	25000	28800	101800
KwaMakhuta	18000	22000	23500	38700
Lamontville	27400	33400	35800	58900
Malukazi	15700	20800	22800	45800
Mfolweni	11800	14400	17200	34400
Umbumbulu	26300	45000	51900	183300
Umgaga	11300	15000	16400	33000
Umlazi	245900	300000	321400	528500
Total Southern	386500	494600	540300	1069600
<b>Durban Central</b>				
Domestic servants	26700	29000	29900	36800
Hostel dwellers	39450	42000	42900	74550
Total DMR	1005050	1252400	1396800	2711750

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**TABLE A2: POPULATION SIZE AND PROJECTIONS FOR 1980 - 2000 FOR BLACK SETTLEMENTS OUTSIDE THE DURBAN METROPOLITAN REGION**

Area	Pop (80)	Pop (85)	Pop (87)	Pop (2000)
Embo-Nyuswa	21400	36600	42200	149100
S. Ndwedwe	85400	146200	168500	595200
Fredville	29000	35400	42200	84600
Imfume	8000	9800	15800	55800
Magabeni	4200	5600	5500	9000
Mpumulanga	61500	75000	80400	132200
Shongweni-Georgeda	78000	133600	153900	543600
Umnini	14500	17700	28600	101100
Total outside DMR	302000	459900	537100	1670600
Total GDMR	1307050	1712300	1933900	4382350

Sources: Horne Glasson and Partners, (1985, Durban)

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Hostel populations provided by Development Aid; Community Services Office, and South African Railways Hostel office. Hostel populations include an estimated illegal population of 50 percent of the legal population. Estimate given by Development Aid

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