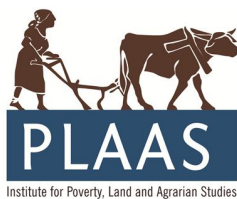


Research Report to Programme to Support Pro-Poor Policy Development in South Africa (PSPPD)

Understanding Informal Self-Employment: A qualitative-quantitative integrated study

Institute for Poverty, Land and Agrarian Studies (PLAAS)

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Authors' note

This report describes the findings of an in-depth investigation into informal self-employment in the South African context. The research sought to understand the contribution of informal self-employment to the livelihoods of the impoverished, the factors that both enable and constrain informal self employment, and its relationship to the broader policy terrain. This is done in order to strengthen the ability of policymakers to support the livelihoods of impoverished South Africans.

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Executive summary

Introduction

This report documents research conducted on small-scale informal self-employment at the margins of the South African economy. Despite high levels of poverty and unemployment South Africa has, by developing country standards, comparatively low levels of informal economic activity. Economic informality is therefore not only an issue of theoretical interest, but also one of significant public policy salience. The research combined qualitative and quantitative inquiry to understanding the contribution of informal self-employment to the livelihoods of impoverished households, along with factors that enable and constrain informal it. These empirical questions were examined in relation to current state policies and programmes targeted at the informal sector. The report concludes with policy recommendations intended to enhance the ability of policy makers to support the livelihoods of impoverished South Africans.

Research methods

Informal self-employment was examined at three research sites (in Limpopo, Eastern Cape and Western Cape Provinces) drawing on a research approach which combined qualitative and quantitative inquiry. The research commenced with analysing the National Income Dynamic Study (NIDS) dataset to identify correlations, and questions for qualitative investigation. Detailed in-depth qualitative inquiry focused both on enterprises and the households to which they were linked, in order to understand how informal self-employment contributes to these households' livelihoods. The focus of the qualitative inquiry was on how households engage with, and benefit from these activities, along with the relationship between the household economy and that of the larger enterprise. Factors that influence informal self-employment such as the larger structural context and economy, local social networks and practices of livelihood making and patterns of skills acquisition and human capital development, were all examined in detail. The influences of the broader policy and regulatory environment, including state-led efforts to support the informal sector and SMMEs (small, medium and micro-enterprises) was also considered.

The quantitative inquiry built on preliminary statistical analysis of the NIDS dataset, which was followed with administration of selected NIDS survey modules to the qualitative case study households, thereby enabling the qualitative case studies to be 'located' in relation to the distributions that could be found in the larger quantitative dataset. The combined qualitative and quantitative analysis enabled the characteristics of the informally self-employed to be explicated, along with the variety of factors that served to influence the prospects and returns of the informally self-employed. In doing so the research seeks to understand the reasons for South Africa's comparatively small informal sector, and considers how policy responses to it can be improved. The research seeks firstly to understand the nature of informal self-employment, and the policy context, before considering how policy responses can be improved.

Key Findings

The research findings are considered in what follows under three headings: The characteristics of the informally self-employed; the factors that influence informal self-employment, and Policy responses to economic informality.

The Characteristics of the informally self-employed

- The research shows how involvement in informal self-employment is strongly differentiated by a number of key factors including locality, age and gender. Informal self-employment is most prevalent in urban informal areas. Whereas employment in the formal sector tapers off sharply among the middle aged (mid 40's), the numbers of those involved in informal self employment remains much steadier with age. Finally, women predominate in the informal sector, in contradistinction to the male dominated nature of formal sector employment.
- Analysis reveals that the time devoted to the informal self-employment activities has a strongly bimodal quality; it is split between those who work full time, and those that work under 16 hours per week. With regards to occupations, 'elementary' and relatively poorly paid activities, such as retail, predominate. Capital and skills are salient barriers both to entry and potentially more lucrative activities.
- Informally self-employed people are motivated by a diversity of objectives, which extend well beyond the objective of simply maximising profit traditionally imputed to them by conventional economic models. The research shows that these motivations can include maximizing income streams, ensuring food security, mitigating risk, and repositioning themselves within their social networks ('accumulating social capital').
- Informally self-employed people characteristically engage in multiple livelihood activities which are bound up in complex and often synergistic ways within the household economy. The boundaries between the domestic and enterprise economies are frequently permeable (e.g. the use of unpaid kin labour, residential spaces for work, and high levels of 'off-take'). In this way informal economic activities are an extension of a household's abilities to leverage and maximise return to their existing assets and labour capacity. Accordingly, higher household incomes from informal economic activity are positively correlated both with formal employment on the part of a household member and by the existence of a marital relationship within the household. Furthermore, informal economic activity interacts in complex ways with household size and may support, or possibly even attract, additional household members.
- Finally the research highlights the central place of social networks or 'social capital'. Economic activity is invariably shaped by local mores and imperatives. An example is the existence of strong normative codes of community solidarity that serve to discourse price competition among traders. In addition informal economic activity typically relies on the extensive deployment of social networks and 'social capital', even if these can also impose costs in the form of claims and

entitlements by others. A key dynamic for many of the informally self-employed is their desire to contain or evade redistributive claims, (from kin, customers, crime, etc.), even while they seek to maximise their own gains from these networks.

Factors that influence informal self-employment

- The research documents the extent to which informal self-employment is fundamentally shaped by the structure of the larger economy. The informal sector is bound to the formal sector through extensive backward linkages involving, for instance, production, capital and skills. Many of the informally self-employed relied on resources conferred by formal sector employment, and many of the smallest survivalist microenterprises used the resources of state social grants as (seed or operating) capital. The research also documents how local markets are often ‘thin’ and marked by various resource, credit and informational deficits.
- The research reveals the importance of skills, education and individual histories of human capital formation. An educational profile of the informally self-employed suggests they occupy an intermediate place between the unemployed and formally employed. Moreover while earnings rise steeply with higher levels of educational attainment, they are also strongly differentiated by gender (women trail behind an equivalently educated group of men).
- With regards to social networks and ‘social capital’, informal self-employment was found to have no discernible relationship to measures of ‘trust’, yet it was correlated with forms of associational life and membership for women (but not men). This correlation was intensified if the woman had a history of migration. This suggests the adeptness of self-employed women at using ‘social capital’ and organising themselves to attempt to overcome the considerable disadvantages they face.
- The research report describes several important dynamics influencing the governance of economic behaviour in the informal sector. Not only is informal (viz. non-state) economic governance a key dynamic in the informal sector, it often has a hybrid and ‘nested’ quality in relation to formal, state-led governance. Informal and formal practices of economic governance are therefore frequently intertwined. Finally, the use of violence or threats of violence is a key factor underpinning informal forms of governance.
- The research report identifies the key places for providing infrastructure. Although infrastructure is often strongly desired, inappropriate infrastructure provision can disrupt the narrow niches and social networks in which small-scale economic activity occurs.
- Finally the research report identifies the central role of credit, savings and the work of managing redistributive claims. The research suggests the issue of supplier credit is a complex one, and ostensible credit constraints often reflect more fundamental problems of low profitability. With regards to granting credit to impoverished customers, informally self-employed people alternated between on the one hand strengthening their capacity to collect debt, and alternatively resisting

extending it to customers. Savings and (to a lesser extent) risk management, are conducted through informal instruments.

Policy responses to informal economic activity

- Surveying the policy terrain, the research identifies a variety of policies targeting the informally self-employed and SMMEs at national, provincial and local government level. Despite often ambitious policies and an elaborate institutional architecture, implementation on the ground is highly variable. Not only is coordinating between the three spheres of national, provincial and local government vexed, local economic development (LED) and enterprise support services for SMMEs are patchy on the ground. These weaknesses are greatly exacerbated within under-capacitated rural municipalities. Finally, while existing interventions target the small and medium SMMEs, the issue of whether small scale survivalist microenterprises ought to be recipients of enterprise support services is ambiguous and largely unresolved.
- Although conditions are highly variable, the research suggests that even a relatively resourced and functional metropolitan municipality has scope to improve its response to those engaged in the informal sector. Discrete groups of specialist officials often appear relatively constrained by their line function, and struggle to coordinate actions with their peers. Deep seated ambivalences, between the imperative to support those in the informal sector and impulses to constrain and exclude them, were common amongst many officials, but especially pronounced in the under-resourced rural municipalities. In both urban and rural settings informal traders complained of being relatively unheard and subject to little more than perfunctory consultation.
- Specific areas of difficulty for those who accessed enterprise support services were noted. For instance training was frequently in generic business management, rather than technical and practical skills frequently desired by beneficiaries. Training was often of short duration, and both beneficiaries and enterprise support practitioners readily identified the need for longer term mentorships. Finally, the research discerned the rising policy appeal of co-operatives but notes their modest success to date. Co-operatives frequently face considerable challenges in relation to the organisation sophistication required for effective collective management, the sapping demands for resources and employment in a resource poor context, and the enduring problems of market access.

Key policy recommendations

The analysis of informal self-employment, and the policy context, described earlier suggests a number of key policy recommendations:

- At the outset it is necessary to acknowledge that the ‘informal sector/economy’ concept is imprecise and contested. A narrow focus on economic informality can obscure key dynamics, such as the interpenetration of the formal with the informal sector, and the impact of the larger structural economic context.

- The informal sector ought to not be conflated with the illegality or criminality. The informal sector covers a wide range of economic activities, many such as subsistence agriculture or small scale enterprises are not readily ‘visible’ to the state, yet are not illegal. At their lowest levels many small scale economic activities are so marginal they carry no legal tax obligation.
- There is a need to understand that those in the informal sector are motivated by a diversity of objectives, and many small scale survivalists have little scope for growth, upscaling or employment creation. A sharper policy distinction ought to be formulated between small scale survivalists and entrepreneurs with capacity for growth, in order that each group can be targeted by appropriate interventions.
- Policies affecting the informally self-employed ought to be conceptualised at multiple scales of possible intervention. These include the larger overarching macro structural context, the intermediate realm of enterprises and institutions and finally, the micro level of individuals and households. Support for the informally self-employed ought to be thought of in relation to three key domains, namely: productivity enhancing interventions; institutionally-orientated responses; human development; and welfare enhancing interventions (particularly for small scale survivalists). These are elaborated on in what follows.

i. Productivity enhancing interventions

- Policy responses need to recognise the challenges faced by SMMES require attention to the larger structural context, and not simply ameliorative changes in the SMME sector. Attention ought to be directed to the role of trade, industrial and monetary policy in patterning (sometimes on highly unfavourable terms) the broader economic terrain on which informal self-employment takes place.
- Policy efforts ought to include efforts to enhance the capacity of informally self-employed people to maximise returns to their activities. While only a small group of these individuals are potentially able to upscale their activities or create employment, informal self employment supports the livelihoods of many. Support to the informally self employed ought to include the staples of enterprise support such as: credit and microfinance; risk pooling and management mechanisms; training; and systems of contract enforcement. While none of these are a panacea for the informal sector, each is required to support it.
- Efforts to support informally self-employed people need to be embedded in a firmly sectoral approach, and pay attention to the larger value chains in which informal enterprises are located. The informal sector’s existing extensive backward linkages to the formal sector are important potential points of policy leverage. Hence existing formal sector suppliers ought to be encouraged (through incentives and regulation) to extend the support they already provide to informal enterprises (currently this includes marketing, merchandising and limited credit).
- In order to build forward linkages to the formal sector, there is a need to recognise and support brokers and market intermediation. Policy ought to be concerned with facilitating and remedying

market failures in the provision of intermediation services. Efficiencies and profitability could be improved by supporting the agglomeration of brokerage services, in addition to which policymakers ought to also check exploitation within these intermediary relationships.

- Policy support for market access by informally self-employed people ought to be differentiated, realistic and astutely focused. Such support should probably either focus on lucrative, higher value (typically distant) markets for specialist products (craft, specialist agro processing, etc.), or alternatively it should target the low value, potentially higher volume local markets for basic products and services (such as basic food and household essentials).
- There is scope to consider the extent to which state procurement can be appropriately incentivised and managed to become a vehicle to support small scale producers and service providers.
- Finally there is scope to grow and improve the capacity of the state to support informal self-employment and SMMEs by proactively identifying strategic opportunities and threats, particularly in relation to market changes, emerging technologies and novel products. This high level market surveillance (most likely to fit with the mandate of the Department of Trade and Industry) will engage in proactive assessment of the market and regulatory terrain, in order to discern threats and opportunities to the SMME sector.

ii. Institutional arrangements

- Informally self-employed people, and policymakers who engage with them, are likely to benefit from greater coherence and comprehensiveness in the organisations that represent them. Where these are absent, there is scope to facilitate the formation of associations representing their needs, interests and perspectives.
- There is a need for policy makers to understand the place of prevailing local systems of informal (viz. non-state) economic governance which crucially shape the terrain on which informal self-employment occurs. Where appropriate, these forms of governance ought to be harnessed in support of those in the informal sector. However, caution needs to be exercised to ensure that systems of local governance are not ‘captured’ by narrow elite interests, or used to perpetuate regressive social forces (such as patriarchy).
- There is a need to examine re-emergent models of institutional support for the small scale self-employed, particularly co-operatives. An awareness of the strengths of the co-operative model needs to be tempered by recognition of its potential limitations. These limitations include: the often considerable burden imposed by collective management; the substantial pressures co-operatives face for immediate (and often unsustainable) gain exerted in resource poor contexts; and their enduring difficulties in accessing markets.
- While enterprise support services have much potential to support informal self-employment, policy making efforts ought to recognise where they require improvement. This includes remedying the co-ordination and considerable capacity problems these services face in many

places; bridging the conventional divide between enterprise support and financing; and prioritising local level participation in the provision of services.

- Policy efforts to support the informally self-employed need to sustain a focus on other, ancillary aspects of state service provision, such as infrastructure and safety and security. Appropriate infrastructure, planned and delivered with the input and needs of the informally self-employed firmly in mind, will temper disruption of its production, and maximise potential benefits. Secondly, as the informally self-employed are vulnerable to crime, safety and security ought to be supported through efforts to build social cohesion, effective policing and appropriate physical urban environments (secure storage facilities, lighting, passive surveillance, etc.).

iii. Social security and human capacity development

- Policy needs to recognise the limits of conventional enterprise support services, particularly for small-scale survivalists who have limited prospects or capacity for growth. This group is likely to benefit from typical human development and welfare-enhancing interventions, which support consumption and investments in human capital (such as health and education), and which mitigate risk and vulnerability. Although social security and employment are often seen as mutually exclusive, state cash transfers (social grants) often enable informal self-employment. There is need to recognise the crucial role of social grants in informal self employment and the value of the unconditional nature of South Africa's current system of cash transfers. Proposals for conditional cash transfers, vouchers, etc. need to be tempered by awareness of how they could erode the scope for the informally self-employed to leverage grant income in flexible and livelihood-supporting ways.
- Those who work in the informal sector are often linked to the formal sector through production linkages and patterns of churning employment. For this reason workplace protections, and socialised work entitlements (such as unemployment benefits and death, disability and maternity cover) ought to be extended to those in SMMEs, in order to better cover those whose employment shifts between the formal and informal sectors. Table of contents

<u>EXECUTIVE SUMMARY</u>	<u>IV</u>
Introduction	iv
Research methods	iv
Key Findings	v
<u>2. LITERATURE REVIEW: FRAMING THE CONTEXT OF INFORMAL SELF-EMPLOYMENT.....</u>	<u>1</u>
2.1 Defining economic informality: Conceptual and definitional issues	1
2.2 The informal sector in South Africa: Extent and constraints	3
2.3 Conceptualising informal self-employment.....	5
2.4 Value and social networks	7
2.5 Social networks.....	8
2.6 The livelihood context of informal self-employment.....	8
<u>3. METHODOLOGY</u>	<u>12</u>
3.1 Qualitative-Quantitative (Q2) integration	12
3.2 Qualitative fieldwork and Q ² integration	13
3.3 Quantitative methods and Q ² integration.....	14
<u>4. RESEARCH CONTEXT.....</u>	<u>16</u>
4.1 Policy context: State support and regulation of SMMEs.....	16
4.2 Research sites.....	23
<u>5. FINDINGS: THE CHARACTERISTICS OF THE INFORMALLY SELF-EMPLOYED.....</u>	<u>28</u>
5.1 Characteristics of the informally self-employed: Numbers and definitions.	28
5.1 Characteristics of the informally self-employed: Enterprise types and incomes.....	32
5.3 Characteristics of the informally self-employed: Gender differentials.....	35
5.4 Characteristic of the informally self-employed: Enterprise objectives	36
5.5 Characteristics of the informally self-employed: Diverse enterprise activities.....	38
5.6 Characteristics of the informally self-employed: The interrelation between household and enterprise economies.....	40
5.7 Characteristics of the informally self-employed: Social networks.....	44
<u>6. FACTORS THAT INFLUENCE INFORMAL SELF-EMPLOYMENT.....</u>	<u>47</u>
6.1 Factors that influence informal self-employment: The structural context.....	47
6.2 Factors that influence self-employment: The nature of local markets.....	49
6.3 Factors that influence informal self-employment: Formal sector links.....	49
6.4 Factors that influence informal self-employment: Education, training and legacies of human capital formation	50

6.5 Factors that influence self-employment: Social networks and social capital.....	54
6.6 Factors that influence self-employment: Economic governance	58
6.7 Factors that influence informal self-employment: Infrastructure and services	62
6.8 Factors that influence informal self-employment: Credit and savings	63
<u>7. THE IMPACT OF STATE-ENDORSED PROGRAMMES ON SMME SUPPORT AND DEVELOPMENT...65</u>	
7.1 The limits of state support for small scale survivalist self-employed	65
7.2 Enterprise support services: Prospects and constraints.....	65
7.3 Facilitating access to appropriate skills and training.....	68
7.4 Municipalities: A focus on support or regulation?.....	69
7.5 Co-operatives: New models for support.....	72
7.6 Policy review and coordination	74
7.7 Recognising informality or imposing formality?.....	75
7.8 Conclusion: The policy terrain	76
<u>8. CONCLUSION AND POLICY RECOMMENDATIONS78</u>	
8.1 Overview: Policy recommendations	78
8.2 Productivity and output enhancing policy interventions.....	79
8.3 Institutional arrangements	82
8.4 Human development and welfare enhancing interventions	84
<u>REFERENCES.....87</u>	
<u>APPENDIX 1 QUALITATIVE CASE STUDIES96</u>	
Elim district (Limpopo province)	96
Khayelitsha (Western Cape Province)	107
Mount Frere district (Eastern Cape Province).....	123
<u>APPENDIX 2 LOCATING THE QUALITATIVE SAMPLE WITHIN THE NIDS DATA135</u>	
<u>APPENDIX 4 DATA QUALITY REGARDING INCOME FROM INFORMAL SELF-EMPLOYMENT.....138</u>	

2. Literature review: Framing the context of Informal Self-Employment

2.1 Defining economic informality: Conceptual and definitional issues

The nomenclature of the ‘informal sector’ was coined by Keith Hart (1973) to define low productivity and marginal enterprises. Defying early predictions that it would be absorbed into the formal sector, informal economic activity has continued to grow globally. In 1993, the ILO sponsored 15th International Conference of Labour Statisticians (ICLS) defined ‘informal employment’ as employment in informal sector enterprises, which themselves were defined as, “non-separate legal entities independent of their owners; they must produce at least some goods/services for sale/barter; they must be of a size below a certain threshold and engaged in non-agricultural activities” (Jütting et al., 2007: 5). With Statistics South Africa’s (Stats SA) introduction to regular household surveys in the post-apartheid period, this enterprise-based approach was how informal employment was initially operationalised in South Africa’s official statistics; determining whether an enterprise was in the informal sector largely depended on the respondent’s perception to this effect.

Over time, two concerns emerged regarding this manner of defining informal employment. The main concern was that it omitted workers who were employed in an ‘informal job’ in the formal sector, where “Informal jobs refer to those jobs outside the regulatory framework because they are not subject to labour legislation, social protection, taxes or employment benefits” (Jütting et al., 2007: 5). The decline of state-based economic governance associated with neo-liberalism and globalisation has increasingly seen economic informality, in the form of casualisation, outsourcing and industrial outworking, within formal enterprises and markets. A lesser concern was that some individuals were employed in what appeared to be the informal sector, but on terms which resembled those of ‘formal jobs’. The 17th ICLS of 2003 therefore adopted this more inclusive and nuanced approach. However, the actual operationalisation of this employment-based (part of the) definition of informal employment depends on consideration of various characteristics of the individual’s employment and relationship to the employer, with views differing as to precisely which characteristics should be included and in what manner. Some argue that while the terminology of ‘informality’ remains useful to describe the growing global workforce outside of full time, stable, work with employment protection, the global reality of an increased interpenetration of formality and informality undercuts the analytic usefulness of the ‘informality’ concept somewhat (Chen, 2007).

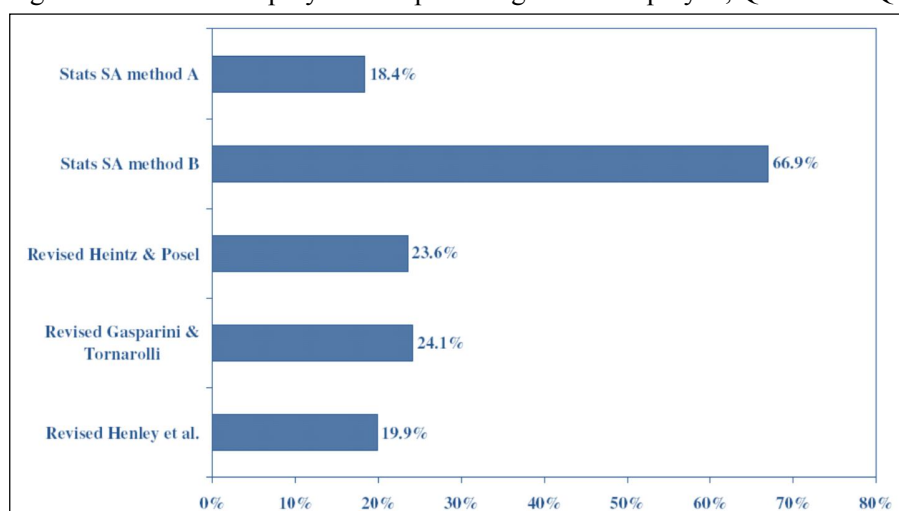
South Africa’s, Stats SA’s Quarterly Labour Force Survey (QLFS) statistical releases draw a clear distinction between ‘informal employment’ and employment in the ‘informal sector’, where the former is inclusive of the latter but in addition includes “persons who are in precarious employment situations irrespective of whether or not the entity for which they work is in the formal or informal sector” (Stats

SA, 2010: xviii). However, the releases report figures only in respect of employment in the informal sector, which is specifically defined as having "...the following two components: i) Employees working in establishments that employ less than five employees, who do not deduct income tax from their salaries/wages; and ii) Employers, own-account workers and persons helping unpaid in their household business who are not registered for either income tax or value-added tax" (Stats SA, 2010: xviii).

Yu traces and compares a variety of different approaches to defining/measuring informal employment in South Africa, in particular based on the QLFS. The approaches differ from one another in a variety of ways, such as how one operationalises the determination of 'informal jobs', whether or not one includes agriculture, and whether or not one includes individuals working for no pay within private household businesses.

The figures reproduced below show Yu's estimates as to the extent of informal employment based on these different approaches and using the same database, namely the QLFS from the fourth quarter of 2009. These different approaches are not detailed here (the purpose is simply to illustrate that the definitions and approaches selected matter a great deal).

Figure 1: 'Informal employment as percentage of all employed, QLFS 2009Q4'



Note: 'Stats SA method B' is the unofficial one that Stats SA usually does not report in its releases (i.e. using the fuller definition of 'informal employment').

Source: Yu, 2010: 15

To what extent does this definitional uncertainty pertain to informal self-employment? Arguably, not much, in that the employment-based defining characteristics of informal employment generally do not apply to the informally self-employment, because in cases of self-employment, the survey instruments generally do not even ask the relevant questions, such as whether the employer contributes to a retirement fund, whether there is a written contract, etc. In other words, 'informal self-employment' is simply taken to mean self-employment in the informal sector. However, Stats SA's operational definition of the

informal sector is somewhat arbitrary (though inevitably so and in a manner consistent with many other countries), and incidentally was not fully translatable for use with the NIDS data, which was the dataset that was relied upon for the present study (see below). The specific issue is that the Stats SA definition requires that the enterprise has fewer than five employees, while the NIDS questionnaire does not include a question about the number of employees at all. The part of Stats SA's operational definition that was translatable (and that we depended upon centrally to distinguish informal self-employment from self-employment in the formal sector) was whether the person's enterprise is registered for income tax and/or VAT. One small wording problem with the NIDS questionnaire bears mentioning, namely "Is the business registered for income tax and/or VAT?" The problem with this is that it excludes the possibility that the *individual* is registered for income tax, which is a fully possible way in which the self-employed can operate while being legally compliant. Thus, in principle, our use of the NIDS data to track the informally self-employed is more inclusive than the Stats SA definition as applied via the QLFS, however the difference is probably extremely slight, in that there would appear to be very few informal enterprises that employ five or more employees.¹

2.2 The informal sector in South Africa: Extent and constraints

In South Africa discussions concerning the informal sector have long antecedents (cf. Beavon & Rogerson, 1990; Rogerson & Whyte, 1991; Rogerson, 1997, 2007; Lund, 1998; Muller & Posel, 2004; Devey, Skinner & Valodia, 2005; Cichello, 2005; Essop & Yu, 2008; Potts, 2008). Furthermore the rubric of the 'informal sector' is often bound up with larger debates concerning poverty, economic marginalisation and entitlement. The force of these issues, perhaps most recently, was evident in the debate concerning the 'second economy' (African National Congress 2004), which pivoted on the notion that impoverished people are trapped in an underdeveloped 'Third World' economy disconnected from the core, first world economy. The adequacy of the economic dualism inherent in the 'Second economy' formulation was questioned by several commentators (Frye, 2007; Neves & Du Toit, 2007b), an indication of the fierce contestation that can characterise discussions of economic informality. It also shows how debate and public policy about the informal sector is confronted with the cardinal problem of enduring economic marginality, poverty and inequality in the face of economic growth, market modernity and democracy.

According to Stats SA's QLFS for the fourth quarter of 2010, there were 2.2 million individuals employed or self-employed in the informal sector (excluding agriculture); compared to 9.2 million in the formal sector (excluding agriculture), 627 000 in agriculture, and 1.1 employed in 'private households' (e.g. as domestic helpers). Thus informal sector employment accounted for 17% of those who are

¹Fortunately, there is a fairly good match between the number of informally self-employed individuals according to NIDS (1.298 million), and Stats SA's QLFS for the third quarter of 2008 (1.364 million).¹

‘employed’. Approximately 90% of those in the informal sector are African, and they are disproportionately female, and generally poor with low average incomes (Rogerson 2007)

The statement is often made therefore, that for a middle income country, the size of the informal sector in South Africa is unusually small (DBSA, 2005). This is especially so when one considers that there are 4.1 million adult individuals who are unemployed, plus another 2.2 million adults who are regarded as ‘discouraged job seekers’(i.e. as many as there are employed or self-employed) in the informal sector. As informal sector employment is supposedly the default option for those unable to secure formal employment in much of the developing world, the question is often posed, why do more South Africans not opt for informal (self-)employment rather than unemployment?

The most common explanation is that in South Africa the colonial and apartheid legacy has served to inhibit and dampen an entrepreneurial culture among Africans (although this is a formulation which frequently leaves ‘entrepreneurial culture’ undefined). In addition, South Africa combines developing-country conditions with a strong and highly developed formal economy, this creates a context with relatively few opportunities for those in the informal sector to gain a foothold or grow their enterprises (Philip and Hassen, 2008). In addition, a range of specific contextual factors which serve to inhibit the informal sector have been identified including: low and erratic income streams, credit constraints, prohibitively expensive infrastructural costs and inadequate access to training (Chandra, & Rajaratnam, 2001; Chandra et al., 2001; Skinner 2006). To these Cichello (2005) adds the fear of crime, ‘jealousy’ (envy) and pervasive redistributive claims within communities.

An alternative perspective holds that the informal sector is in fact larger than statistics lead us to believe: that the small size of the informal sector is a function of inadequate measurement. A fierce debate on this point erupted in early 2011 with the release of public comments by Adcorp, a South Africa-based employment services company, to the effect that their methodology for estimating informal employment was superior to Stats SA’s. The gist of Adcorp’s claim was that a high proportion of informal sector operators preferred not to reveal their employment status to Stats SA’s enumerators because of (among other things) uncertainty as to the legality of their activities and/or the danger they might expose themselves to if answering candidly (radio interview with Loane Sharp, SAFM, 7 February 2011). Adcorp’s own employment index thus sought to correct for this deficiency by examining the frequency of money changing hands among poorer communities (the scale of which it claims is inconsistent with the high unemployment figures) and somehow attributing the ‘gap’ to informal employment. Adcorp claims that its methodology is explained in a report entitled “Employment Index Methodology and Key Results.” At the time of writing, however, this report had not yet been made publicly available.

Stats SA’s rejection of Adcorp’s claims and methodology (Lehohla, 2011) was strongly-worded and wide-ranging but, significantly, failed substantively to address the core issue raised by Adcorp, namely whether or to what extent survey respondents tend to under-report their self-employment activities. In this respect it is worth recalling that qualitative fieldwork conducted after-the-fact to complement the KwaZulu-Natal Income Dynamics Study (KIDS) noted the extent of informal economic activity was

noticeably higher than the KIDS data tended to suggest (Adato et al., 2007). However, although there does appear to be a strong likelihood that survey data do under-represent informal sector employment, Adcorp's estimates are rather difficult to assess or accept in the absence of information about its methodology. Adcorp suggests that informal sector employment is in the range of 6 million, almost three times as many as Stats SA data would have it.² Rather than the official unemployment rate of 24%, this implies a rate closer to 8%, which is difficult to accept based on casual observation. While the truth remains elusive, the debate underlines the extent of ignorance concerning the sector and the fact that answering the question as to why South Africa's informal sector is so small requires a clear understanding of how large it actually is. Perhaps what this debate does unequivocally illustrate is that despite its obvious public policy salience, understandings of the informal sector remain elusive and potentially contested.

2.3 Conceptualising informal self-employment

The preceding sections have described some of the debate surrounding the informal sector, including how it ought to be defined and measured, and how the constraints upon it should be understood. This underscores both the need for research focused on these issues and clear explication of the research approach taken in examining informal self-employment. The latter is examined in what follows. The focus of the present inquiry is on the small-scale, informally self-employed, but it is useful to note that there is no homogenous nomenclature for those who engage in this category of activity. Instead terminology is fundamentally shaped by disciplinary and theoretical precepts and varies from necessity-entrepreneurs, to survivalists, to those who 'make a living' (in contradistinction to 'earn a living') (Webster, 2005) or in a Marxist register 'petty commodity producers' (Moser, 1978).

In the current inquiry the focus is on the informally self-employed who work for their own account (with or without employees), in enterprises that are small in size. The focus of the inquiry is on the lower rungs of the statutory definition of small, medium and microenterprises (SMME), as it examines those who live and work under conditions of economic vulnerability, in enterprises which have relatively limited prospects for growth and up scaling. Furthermore, in defining the focus of the current inquiry it is helpful to specify what, and who, it does not include. The focus is neither on those who work under conditions of informality within formal sector enterprises, nor is it on those who engage in relatively lucrative activities (above the conventional definition of SMMEs); yet voluntarily choose to remain in the informal sector, typically in order to evade taxation or aspects of regulation. Therefore, to invoke the enterprise and employment definitions of informality discussed earlier, the focus of the current inquiry is on the *informally self-employed who work in the informal sector*.

² Moreover, logically one would suppose that most of the difference, to the extent it exists, comprises those who are informally self-employed, given that such individuals would appear to have a greater incentive to conceal their status than employees of informal enterprises.

Having defined the key foci and the stratum of economics in which informal self-employment is examined; three additional points concerning the approach followed by the current inquiry need to be made.

- I. Firstly, much inquiry into the informal economy tends to be sector or sub-sector specific. Despite its utility for understanding intra-sectoral dynamics, this form of analysis potentially inhibits the analysis of commonalities across sectors. For this reason this report examines a range of enterprise and activity types.
- II. Secondly, studies of the informal sector are often marked by a fundamental and foundational dichotomy: they are either rooted in the enterprise/business study tradition, or alternately have a firm household and/or livelihoods focus. The enterprise and household traditions embody distinct disciplinary, methodological and even paradigmatic assumptions. Furthermore each tradition invariably neglects important elements. Enterprise studies frequently overlook the larger household and social context; while livelihood or household-orientated enquiry is inattentive to some of the enterprise-related questions concerning value chains, markets and monetary flows. This duality constrains analysis because both aspects are analytically significant. Informal enterprises do not exist as independent economic entities: they need to be understood in the context of the households that they support and on which they depend. For this reason economic activities are often highly reliant on various hidden transfers between the enterprise and domestic domains (for example, unpaid labour; residential spaces for trading; and 'off-take' from the enterprise). At the same time these household-enterprises need to be understood as businesses, and their fortunes and prospects analysed with reference to the market and value chains within which they exist. For these reasons, the present enquiry is neither exclusively focused on the enterprise nor on households. Instead it seeks to understand informal self-employment by examining both enterprise and household level dynamics, and accordingly takes as its analytic unit the 'household-enterprise' unit.
- III. Thirdly, much writing on the informal sector is rooted in conceptual and disciplinary allegiances to abstract economic 'rationality'. Against this backdrop informal economic activity is understood in terms of the economic objective of minimising cost and maximising economic gain, those within the sector are therefore judged by the yardstick of highly normative and prescriptive notions of how the ideal-type entrepreneur acts, or ought to act. In so doing,(and by looking at informal sector entrepreneurs in terms of their deviation from an ideal type, rather than in terms of the contextual rationality of their actual strategies), analysis incurs ethereal risk of misunderstanding those within the informal sector. An example of which is how, in an influential cross-country comparative study in the business sciences,, South Africa's predominantly female African sector workers were deemed to be innately lacking an 'entrepreneurial mind-set' (Maas & Herington 2006). This is a formulation which simultaneously invokes the spectre of highly essentialised individual deficits, and obfuscates the larger constraints on those who toil in the realm of economic informality.

This inquiry seeks to avoid all three of the above problems by examining enterprises across a variety of sectors, by taking a firm household-enterprise focus, and by eschewing the presuppositions of the normative ‘entrepreneurship’ concept. The analytic focus of the current inquiry is not how closely the actions of the informally self-employed accord with abstracted notions of economic rationality, but rather more inductively how the informally self-employed come to constitute their economic agency. The analytic focus is therefore not on judging how the self-employed ought to act, but rather on examining how they actually do act. In seeking to explore this question, a range of related issues are examined including how, why and to what end they act. In seeking to understand how the informal self-employed constitute their economic agency, this inquiry seeks to expansively locate informal self-employment relative to larger social and economic relationships below.

2.4 Value and social networks

Having identified the focus of the current inquiry, namely the small-scale informally self-employed, the present section will examine the value and social networks within which the informally self-employed are located.

Economic actors are located relative to the larger structure of the economy and economic opportunity through their position in value chains (cf. Gereffi, 2005; Barrientos, Gereffi, & Rossi, 2010). In the present inquiry the informally self-employed generally occupied the lower rungs of value generation and economic opportunity, with a relative few managing to position themselves a tier or two higher. While detailed value chain analysis (cf. Gereffi, 2005) was beyond the scope of the current inquiry, it did seek to contextualise activities within value chains in general, schematic terms. This inquiry considers markets, prices and costs in order to convey a sense of the backward (and forward) linkages to larger commodity chains, and the position research informants occupied in the hierarchy of value. In addition, attempts were made to quantify the vexing issue of profitability (within the limits of respondent’s willingness and ability to do so) if only to gain a sense of the order of magnitude of their economic activities.

In addition this inquiry is also attentive to other kinds of value-generation. It examines value generation and gains in ways that avoid the bias towards conceptualising value in exclusively monetised terms. In addition it attempts to avoid what Ferguson (2007) terms ‘productionist thinking’: the default assumption that all economic activity is (or normatively ought to be) inherently productive. Ferguson argues that in the late globalised world much economic activity, particularly the informal sector, entails forms of ‘distributive’ labour. This is particularly evident in high labour intensity, low productivity tasks, such as the common scenario of multiple traders vending similar articles at similar prices in overtraded markets. Ferguson (2007) argues this to be a form of distributive labour, similar to the distributive labour of claiming social entitlements (from kin or strangers, via entreaties or begging, or more forcibly via crime). This is not to suggest that those in the informal sector are ‘unproductive’, it is to simply make the point that in a global context where labour is increasingly disconnected from production much labour essentially entails the (re)distribution rather than production of value. The utility of this insight is that it

tempers the impulse to apply a narrow template of ‘productivity’ to those eking out a living engaging at the margins of the South African economy, and the nature of much informal economic activity. Consequently this inquiry seeks to consider economic activity quite expansively, from the lucrative to the infinitesimally small scale. This enlarged conception of value generation also draws attention to the social dynamics of economic activity, considered in what follows.

2.5 Social networks

Understanding informal self-employment by examining the nexus of household and enterprise, demands a focus on the social dynamics of economic activity. The last three decades has seen the ascendancy of a network approach in understanding economic activity, in contrast with much orthodox economic thought which conventionally ascribes irrationality or miscalculation to behaviour that is inconsistent with the choices of the cost-minimising, profit-maximising, *homo economicus*. The challenge is then to understand the social realm, which in much neoclassical economics is the domain of “irrationalities, frictions, hindrances or externalities’ (Gudeman, 2001). A network perspective acknowledges the manner in which economic actors and markets are fundamentally socially embedded. The analytic focus extends to actors and the larger institutional and social context in which they act, in order to make informal self-employment intelligible.

If a focus on social networks has become increasingly prominent in accounts of economy, a focus on social networks is particularly useful in understanding economic informality. The informal sector is a realm where economic exchange, markets and governance are, by definition, not codified to the same extent as is the case in formal contexts. In arguing for analytic attention to the social networks that underpin informal self-employment, Grabher and Stark’s (1997 cited in Meagher, 2005) describe a three-part typology of ‘legacies, linkages and localities’. This focuses attention on issues of historical and temporal change (viz. legacies); the actions and strategies of those in the informal sector (linkages) and the specificity of context (localities). Finally, despite the utility of social networks to much economic informality, assessments of their role are often underpinned by a fundamental ambivalence. On one hand social networks are lauded as the stuff of social capital and trust, as a social good that enables economic exchange (Fukuyama, 1995). On the other hand social networks, particularly in the context of economic informality on the Africa continent, are derided as potentially rapacious and exploitative (cf. Bayant, Ellis & Hibou, 1999; Meagher, 2006). The current inquiry makes no assumptions concerning the value of these networks. Instead it examines them analytically to understand how they work, and the extent to which they can both enable and constrain informal self-employment.

2.6 The livelihood context of informal self-employment

Understand the patterning of economic opportunity and marginality in the South African context, is key to grasping prospects and patterns of informal self-employment. South Africa continues to be shaped by the political economy of racialised underdevelopment, which Philip (2008) argues is perpetuated in terms of

four key factors. The first is the legacy of historical inequalities in the acquisition of skills and education, which stubbornly endure into the present. The second are the vast discrepancies, both inter and intra group, of assets such as capital and land. Historically large racialised inter-group discrepancies have increasingly seen mounting levels of intra-group inequality, particularly amongst black Africans. The third is the spatial legacy of inequality and underdevelopment, and dysfunctional settlement patterns. The former homelands and urban townships are often located far from markets and economic opportunities. The fourth factor is the nature of the formal economy, with its capital-intensive, concentrated, vertically integrated monopoly structure. These four factors not only contribute to a post-apartheid distributional regime of enduring poverty and inequality, they constitute an adverse environment for the informally self-employed. These legacies are also manifest in different forms between the focal rural and the urban settings.

In the rural contexts of Limpopo and the Eastern Cape, smallholder agriculture has been in slow decline for much of the twentieth century. This decline is the consequence of a century of state neglect of smallholder agriculture, shrinking remittances from migrant labour, and the waning of the collective social arrangement that historically facilitated agriculture in locales such as the Eastern Cape (Andrews and Fox, 2004). Although there are agro-ecological differences between the two focal rural sites of the Eastern Cape and Limpopo provinces, both locales are subject to the declines in the land and agricultural based livelihoods of the past. This is the process of de-agrarianisation, evident all over the developing world (Bryceson, 1996).

Outside of the former homelands, market liberalisation has seen increased concentration and consolidation within the commercial farming sector and the shedding of thousands of agricultural jobs. This has occurred simultaneously with declines in the mainstays of low skilled industrial labour and employment in the resource extraction and manufacturing sectors. Consequently South Africa's comparatively unskilled workforce is increasingly locked out of formal employment in capital intensive tertiary production (Banerjee, Galiani, Levinsohn and Wooldard, 2006; Black, 2007). The unskilled also bear the brunt of deepening practices of casualising and externalising labour, as increasingly footloose South African corporations globalise, restructure and list overseas (Bassett, 2008).

Moreover the changing urban and rural livelihood dynamics described here are interlinked. Many rural households maintain links to urban locales and household members. Scholarship on the homeland-city migrant networks has long conceptualised households as spatially 'stretched' between the rural homelands and their historic labour receiving metropolitan poles (Spiegel, Watson & Wilkinson, 1994; Spiegel, 1996). These spatially stretched households and livelihoods are typically underpinned by forms of oscillatory and circular migration. The livelihoods of the impoverished and economically marginalised are highly complex and varied, and often incorporate disparate activities across different contexts and actors. In the case of the Eastern Cape, its corresponding urban migrant receiving areas are concentrated in the urban Western Cape (especially Cape Town), but also include other metropolitan areas such as Durban and Gauteng. From Limpopo, sites of migration areas have predominantly been in the industrial heartland of Gauteng. However declining opportunities for industrial employment in the last few decades

has curtailed the possibilities for rural back investment by disrupting the flow of urban resources. Bank and Minkley therefore argue that “the main dynamic in the post-apartheid era at the beginning of the twenty-first century is that rural labour – once so eagerly desired – has become a burden to the state and an irrelevance to capital” (2005, 32).

South Africa is therefore a highly monetised context, but also one in which opportunities to generate income through either formal or informal employment are constrained and often precarious. The resultant economic marginalisation sees millions of the impoverished and economically marginalised ‘adversely incorporated’ into the political economy of South Africa. In this context it is unsurprising that the post-1994 poverty headcount increased marginally (Hoogeveen and Ozler, 2006). This was followed by small reductions in the poverty headcount where increased incomes to the poorest between 2001 and 2005 were driven mainly by the increased take-up of state cash transfers. If the benefits from the social wage and public services are included, there have been discernible increases in welfare after 2000 (Bhorat and Kanbur, 2006). Amidst income based measures of poverty and deprivation, it is also useful to examine vulnerability as the product of a series of interlinked deprivations of human capacity (Sen, 1999). The poorest and most marginal of the survivalist self-employed are locked in cycles of low asset holdings, limited income, and poor opportunities. This inhibits their ability to make investments in themselves, their children (pre-eminently through education and health), or their nascent enterprises.

In describing the structural context within which informal self-employment takes place, an additional, household dimension that ought to be stressed is the crucial demand for, and role of, socially reproductive labour. Highly gendered, this is the third element of the ‘triple burden’ of productive, socially reproductive and community maintenance work which women disproportionately shoulder (Moser, 2002). Daily survival is often dependent on substantial unpaid domestic labour expended on tasks such as child or elder care, household provisioning (such as collecting fuel or water) and on-going household maintenance (of fragile physical structures). The burdens of this work are strongly felt because the impoverished typically have limited access to assets, utilities (energy and water), and labour saving domestic devices. They inhabit contexts in which property and infrastructure rights are assured not through contract or legal fiat, but rather use, possession and wider communal recognition. Furthermore, the economically marginalised are the least able to externalise the burden of social reproduction: in this context it is women in such households who frequently tend to the young, the ill, the elderly and occupationally injured. In addition they are at the base of spatially-extended ‘care-chains’ (Hochschild, 2000), and are likely to care for the dependents of the vast army of women who, in turn, look after the dependents of the less poor, the middle class and affluent. The demands of this care work can constitute a considerable burden (Hunter, 2006) around which household members need to strategise. In labour constrained households, high dependency ratios and the demands of care work constitute key labour constraints.

The overarching structural context, delineated above, frames the position and prospects of the economically marginalised in contemporary South Africa. Apart from the increasingly precarious proceeds of formal sector employment, they rely on permutation of three essential sources of livelihood

making. The first are state cash transfers, the second, practices of social reciprocity, and the third, informal economic activity. All three of these are expanded on in what follows:

- I. The first component of impoverished livelihoods in contemporary South Africa is a comparatively generous system of state cash transfers. Funded by a relatively efficient and progressive system of taxation, over a quarter of the South Africa population (in the categories children, the disabled and the elderly) receive a social grant. Grant income tempers the severity and depth of poverty and inequality in South Africa (Wooldard and Leibbrandt, 2010) and serves an important redistributive function (Neves et al, 2009). In addition, grant income is absorbed into prevailing systems of mutual assistance and social reciprocity.
- II. The second major component of impoverished livelihoods is practices of mutual assistance and social reciprocity. It is through these practices that they access resources such as earnings from employment, remittances and social transfers. Termed ‘informal social protection’ (Bracking and Sachikonye, 2006), these systems of social reciprocity are crucial to the livelihoods of many South Africans, and are evident within several of the focal case studies contained in the present research. These practices are underpinned by culturally and historically rooted practices of reciprocity and social exchange, within spatially extended social networks. Underpinned by ideologies and institutions of mutuality, practices of social reciprocity operate both within kin networks and through other forms of associational life (such as church, youth, savings, local community and trade associations). They are strengthened by social events and traditional ceremonies such as weddings, funerals and initiations. The demands of social reciprocity are a key factor shaping the terrain on which economically marginalised people make a living and through which they both accumulate and sequester livelihood-enabling resources, as well as manage risk. Du Toit and Neves argue: ‘Gifts and favours, formal exchanges, family histories, financial, emotion[al] and moral debts all have an impact in reciprocation practices, and balancing of the resulting obligations take place according to calculations shaped by social norms and personal relations’ (2009a, 23).
- III. The third and final resource for livelihood making consists of forms of informal self-employment: the central concern of the current inquiry. These activities straddle a range. At the lowest level are survivalists scrabbling to sustain livelihoods through what Davis (2006) terms ‘survivalist improvisation’ above these are small and medium sized enterprise operators who are generally better able to satisfy the basic demands of simple reproduction. This range of activities is the focus of the current inquiry.

3. Methodology

In the section that follows the methodological aspects of the inquiry are discussed in detail.

3.1 Qualitative-Quantitative (Q2) integration

Central to the present research project is the use of a methodology based on integration between qualitative and quantitative research. A wide range of potential approaches exist for combining qualitative and quantitative inquiry. These range from fairly traditional strategies in which qualitative and quantitative research are done relatively independently of each other, and the findings of one approach are used to test, validate or ‘triangulate’ the other, to far more integrated approaches in which the two modalities are carefully sequenced and linked (Howe and McKay 2004; Du Toit & Neves, 2007a; Ragin, Shulman, Weinberg & Gran, 2003). The present research accords equal weight to both components: each is equally important. Therefore in this inquiry qualitative knowledge is not used once-off at the outset to explore the issue, nor is it tacked-on merely to add descriptive depth. Similarly, quantitative data is not used by simply appending a perfunctory statistical analysis to qualitatively-derived insights. The approach followed to attain qualitative-quantitative integration is instead, far more comprehensive and built on previous work (Du Toit & Neves, 2007a).

In this research project qualitative and quantitative inquiries intersect at, at least three distinct points. Firstly, at the outset, prior to the commencement of qualitative inquiry, quantitative analysis is used to help identify issues (e.g. associations between different variables) for qualitative investigation. Secondly, following the fieldwork (with households, enterprises and policymakers) but before the focus group interviews, quantitative inquiries are used in order to contextualise the sample of the households selected for qualitative research. This was done by implementing selected modules of the NIDS Wave I questionnaire to the households in the qualitative sample, thereby enabling these units to be ‘located’ relative to the larger NIDS data set. Thirdly and finally, following the focus group interviews, quantitative inquiry is used to further investigate thematic issues identified in the course of the qualitative work. In this way the Q² integration entails a process of iterative interrelation between the qualitative and quantitative inquiry. This not only relies on the sequencing described above; it also demands on-going team interaction in order to align methods and clarify emergent findings.

It is useful to reflect on the kind of knowledge these different approaches produce. The quantitative data is used to elucidate underlying correlations and quantify the scope and size of these relationships. Quantitative inquiry is rooted in the canons of statistical probability and is well suited to extrapolating from the sample to larger populations. In contrast, qualitative inquiry is well suited to exploring complex social phenomena, particularly when the phenomena in question is elaborate, rooted in non-linear causal dynamics or terms that are un-amenable to quantification (such as actors’ ‘aims’, subjective ‘meanings’, and cultural context). Qualitative inquiry makes few claims of representivity or generalisability. Combining quantitative and qualitative research in a strategic and principled way enables the present inquiry to harness the strength of each respective approach.

3.2 Qualitative fieldwork and Q² integration

The qualitative fieldwork was undertaken during the course of 2010, and built on earlier studies done in 2007 (Du Toit & Neves, 2007a) and 2009 (Neves & du Toit, forthcoming). Several of the earlier studied household-enterprises were re-sampled and included in the 2010 inquiry. A selection of thirty household-enterprises roughly evenly divided between the Elim (Limpopo Province), Mount Frere (Eastern Cape Province) and Khayelitsha Township (Greater Cape Town, Western Cape Province) were sampled. It is helpful to recall that the 'household-enterprise' unit of analysis refers not to a specific enterprise form (viz. an enterprise run from a home) but instead represents the dual analytic focus on both household and enterprise (whether both exist in the same point in space, or not). In-depth interviews and observational research was undertaken in the enterprise context, which was followed by household level enquiry, in many cases at different locales and even with a different household informant. In most cases this process of fieldwork entailed multiple visits. The resultant material was synthesised into case studies and is presented in the abridged case studies contained in the appendix A, and the schematic overview in appendix B.

Although most of the focal case studies' household-enterprises were well established and had run for many years, some were considerably newer. Virtually all of the household-enterprise case studies included in the study were outside the regulatory net of taxation, health, safety and employment legislation. The National Small Business Act (1996, amended 2004) designates a microenterprise (in wholesale, trade, catering and accommodation) as having fewer than five employees, an annual turnover below R200 000 and gross assets below R100 000 (RSA, 2003). This was a threshold below which the vast majority fell, with the possibility of one or two exceptions that may have been narrowly above it. The selected case studies therefore include enterprises at lower tiers of a hierarchy of enterprise size, and include extremely small, survivalist enterprises at the lowest levels of what is conventionally regarded as identifiable as enterprise. These include a range of monetised activities with such vanishingly small returns that they are typically unrecognisable, even to those who operate them, as an enterprises or businesses.

The case studies are purposively sampled in order to derive a diversity of household-enterprise units by enterprise type, size and gender of the enterprise operator. Inquiry into the enterprise sought to elicit data about issues related to the enterprise history, structure, assets, scope, employment relationships, suppliers, markets, access to credit, customer relationships, issues related to their right to trade and the regulatory context. This was followed by a household orientated inquiry which examined household composition and other livelihood activities, as well as the nature of the household's interaction with the focal enterprise. Drawing on individual and household history as well as life and enterprise histories, the research sought to understand these dynamically, over time.

The household and enterprise level inquiry occurred parallel with a process of community level inquiry, involving government officials and policy makers. This component of the research process relied heavily on interviews, a review of the literature (both academic and 'grey') along with focus group interviews.

These interviews were undertaken with local community level informants, predominantly those working in, or with the informal sector, in order to understand aspects of the local context in which informal self-employment occurred, as well as aspects of the regulatory and SMME support services context. Prominent in these were local, district and municipal officials, various economic development officials, provincial officials and staff from various local enterprise support organisations. In addition, a small group of staff within the national departments (the Department of Trade and Industry, the Small Enterprise Development Agency, etc.) was sampled. A snowball sampling methodology was used where informants identified other potential informants.

Key informant and official interviews were followed by a sequence of focus groups with many of the interviewees, along with other additional key role players in each of the three core research sites. Emergent insights and project findings were presented, and feedback was invited, in order to provide a form of 'respondent validation'. This process had several key objectives. Firstly it provided a valuable opportunity for information dissemination to key role-players, secondly it served to test the veracity of the findings, from the participant's perspectives, and finally it fed into a recursive process of data refinement and analysis.

3.3 Quantitative methods and Q² integration

It has already been described how the quantitative component of this inquiry was integrated with the qualitative. To reiterate, the quantitative component of the inquiry intersected with the qualitative component in: the identification of patterns and relationships for qualitative inquiry; the quantitative contextualisation of the qualitative findings; and quantitative exploration of provisional factors (emerging from the first two phases). The quantitative component of this inquiry was accordingly divided into three broad phases. The first phase took place before the commencement of the qualitative in-depth interviews, the second took place shortly after the qualitative in-depth interviews but before the focus group interviews and the third phase took place after the focus group interviews. By and large the quantitative methods used were unsophisticated: descriptive statistics, a few statistical tests for equivalent proportions, and one or two correlation statistics.

The qualitative inquiry exploited the first wave of the National Income Dynamics Study (NIDS), for which the fieldwork was conducted in 2008. The reason for using the NIDS data was partly because of the close association between the Programme to Support Pro-Poor Policy Development (PSPPD) and NIDS, but also because the NIDS questionnaire included a useful, somewhat self-contained sub-module on self-employment. In addition, the longitudinal focus of NIDS is a key asset: over time, and with subsequent waves, emergent hypotheses and findings from the present study can be used for future longitudinal research. As will be discussed later, one small but notable advantage of the NIDS approach relative to the Quarterly Labour Force Survey (QLFS) is that the QLFS requires the respondent to identify his or her main work activity, thus not allowing one to capture information about a person's secondary activity. By contrast, NIDS was designed to allow a person to indicate a wage job, as well as casual employment, self-employment, and agriculture, in any combination. Moreover, as with wage employment, the NIDS

questionnaire allowed for the respondent to indicate more than one self-employment activity. The quantitative work focused exclusively on African and Coloured respondents (as did the qualitative fieldwork interviews). African and Coloured people represent 88% of the informally self-employed; moreover the underlying number of observations in NIDS for White and Asian/Indian informally self-employed was only 58% and 9%, respectively.

4. Research Context

This section contextualises the research, by firstly describing the broad policy terrain of state support of SMMEs, following which the contextual specificity of the focal research settings is discussed.

4.1 Policy context: State support and regulation of SMMEs

In this section state support for and regulation of SMMEs (Small, medium and micro enterprises), amongst whom the informally self-employed fall, is discussed. In South Africa policy responses to the informally self-employed are largely the domain of SMME policy, which is characterised by a range of policies and programmes at national, provincial and local level. While many of these policies and programmes are complementary, some run in parallel and are relatively disconnected from each other.

The Department of Trade and Industry (DTI) is arguably the major state player in defining the policy terrain, along with provincial departments of economic development (the Department of Economic Development and Environmental Affairs in the Eastern Cape; the Department of Economic Development, Environment and Tourism in Limpopo and the Western Cape's Department of Economic Development and Tourism). At the local government level there are substantial differences between the various types of municipalities: district and large metropolitan municipalities are expected to draft and adopt strategic plans based on SMME development. Fewer of these prescriptions extend to local municipalities, who are dependent on their superordinate district municipality counterparts. In addition to this terrain of national, provincial and local government, there are a number of organisations providing enterprise support services. Both state and non-state funded these organisations are tasked with implementing policies and initiatives of both national and provincial government. In the chapter that follows, literature is drawn on and the policy terrain applicable to the informally self-employed is described in terms of the following domains:

- National policies
- Provincial policies
- Municipal policies
- Enterprise/business support organisations

4.1.1 National policies

Several sections of legislation and key policies located within the national context are entrusted to the Department of Trade and Industry (DTI) and form the basis for much SMMEs support and regulation in present day South Africa. The 1995 White Paper on SMME Promotion was part of a consultative process which aimed to develop and regulate SMMEs. Drawing on the inputs of various stakeholders it examined the challenges and opportunities faced by SMMEs and culminating into the National Small Business Act

of 1996 (as Amended in 2004). The Act made provision for establishment of support organisations and provided statutory definitions of SMMEs. SMMEs were comprehensively defined in terms of: the total full-time equivalent of paid employees; total turnover and gross asset value (excluding fixed property). For example in agriculture, a medium enterprise employs 100 people, has R5 million annual turnover and R5 million in total gross asset value. A small enterprise employs 50 people, has a R3 million annual turnover and R3 million in total gross asset value. A very small enterprises employs 10 people, has a total turnover of R500 000 and R500 000 in total gross asset value. Lastly the microenterprise employs 5 people, has R200 000 total turnover, and R500 000 total gross asset value (RSA, 2005). Definitions extend to cover virtually every sector of the economy, but significantly even a legislatively defined 'microenterprise' is comparatively large.

It is significant that the White Paper and much subsequent state policy essentially conflate microenterprises with smaller scale, survivalist enterprises (Von Broembsen, 2008). This despite the fact that survivalist enterprises are driven by poverty, where the operator is 'pushed' by conditions of necessity and desperation. These enterprises are marked by little capital, virtually no skills training and income levels that fall far short of even a minimum income standards. Skinner (2007) shows that even if survivalist and microenterprises were combined, only 8% earned above the income threshold for taxation, while Napier et al. 2006 (cited in Von Broembsen, 2008) estimate that only 3% of employees of microenterprises are paid (most are presumably unpaid kin). Microenterprises, and to a greater extent survivalist business, have few prospects of up-scaling or growth and are below the reach of many traditional enterprise support interventions.

State activities aimed at supporting and encouraging SMMEs build on the framework of the National Small Business Development Act., and include the 2005 National Strategy for the Promotion of Entrepreneurship and Small Enterprises. It provides for four priority focus areas for SMMEs development, targeting: specific historically disadvantaged groups (such as Africans, youth, women and the disabled); designated geographical areas with high poverty and unemployment rates; potential growth sectors; and finally new forms of enterprises such as co-operatives. It is against this policy backdrop that particularly business support services directed towards co-operatives have risen sharply.

Other legislative and policy developments incorporate a focus on SMME development. The National Youth Fund targets the youth. The National Strategy for the Development and Promotion of Franchises in South Africa (2000) seeks to foreground franchising as an area of SMMEs activity, and reportedly has the potential to include many aspirant entrepreneurs. Similarly, the National Industrial Policy Framework (NIPF), of 2007, was adopted with a view to (perhaps rather ambitiously) strengthening the place of SMMEs in the manufacturing sector. However it is co-operatives that are viewed as a particularly important modality of supporting SMMEs within policy making circles; as such the DTI strategy towards co-operatives warrants greater explication.

DTI's Co-operative Incentive Scheme (CIS) was formed with a view to intervene in the informal economy and incentivise co-operatives as a mechanism for SMME development and support. The

overriding emphasis of the CIS is to support the formation of co-operatives as viable business entities. It is presumed that this process will promote the competitiveness of co-operatives, and create an organisation form that will allow designated historically disadvantaged groups to participate more fully in the market, thereby diversifying enterprise ownership.

The CIS aims to support co-operatives (registered in terms of Co-operatives Act of 1991) through a maximum grant of R300 000 and has been operating since 2005/2006. It requires recipients to: adhere to co-operatives principles; be based on rural or semi-urban areas; be active in the manufacturing, retail, service and agriculture sectors. Furthermore as a key domain of SMME policy, support to co-operatives is under review in the proposed Co-operatives Amendment Bill. The Act seeks to integrate different agencies involved in SMME support and development, and will make provision for a Co-operatives Development Agency constituted and run with input from co-operatives themselves.

4.1.2 Provincial policies

Having described the overarching national context of SMME support, the range of provincial policies and interventions which seek to respond to the SMME sector are now examined. There are discernible differences between provinces. Policies for co-operative development, predicated on the belief that co-operatives can make substantial impact on the SMME sector, show up some of the similarities and differences between the various focal provinces.

Limpopo: In common with the other provinces, Limpopo's Growth and Development Strategy (LGDS), includes a focus on co-operatives. The LGDS proposes to development a cluster value-chain approach. Clusters are to be developed in a manner that encompasses an array of industries, organisations, institutions and service organisations involved in a specific sector. It is intended that a key focus of a sustainable cluster developing in Limpopo will be agro-processing, tourism, mining and horticulture.

Eastern Cape: In addition to a strong emphasis on co-operatives as the predominant form of SMME support, the Eastern Cape also has a comprehensive provincial strategy for SMME development and support. Termed the Integrated Strategy for Promotion of Entrepreneurship and Small Enterprises in the Eastern Cape (Eastern Cape Department of Economic Development and Environmental Affairs, 2009), it highlights the place of provincial response to SMME support activities. Furthermore, and in keeping with national and provincial emphasis on support for co-operatives, the Eastern Cape has a co-operatives strategy in addition to its detailed SMME strategy. Informed by its Provincial Growth and Development Plan, the intention is to encourage co-operatives particularly in the manufacturing and tourism sectors. The plan both diagnoses the problems areas that impede SMMEs development and sets out a number of objectives to remedy them. Although these are rather ambitious and broad, they are summarised in terms of four components discussed below.

- I. The first component is developing a SMME Institutional Framework. The first pillar seeks to develop capacity within the Department of Economic Development and Environmental Affairs (DEDEA), in order to address challenges which affect implementation of policy by DEDEA and

municipalities. Chief among its interventions are to train the staff in regional offices in aspects of policy development and implementation to enable them to better serve municipalities. There is also the intention to establish three bodies to bolster SMMEs development, namely a Forum for Development Finance Institutions (to track SMME funding trends); a Provincial SMME Working Group (to co-ordinate SMME support); and an Enterprise Development Agency (most notable to co-ordinate non-financial support to SMMEs). Each of these forums is intended to draw together various combinations of state and non-state actors, including the private financial services sector, NGOs, donor organisations, research institutes and institutions of higher learning. This will ideally enable DEDEA to co-ordinate the contributions of different actors to SMMEs, in order to maximise available services and avoid duplication. Also mooted under this pillar is the establishment of an ‘Innovation Hub’, which is “meant to support entrepreneurs to innovate and develop new products linked to growing economic sectors of the economy of the province in order to enhance manufacturing” (DEDEA Eastern Cape, 2009).

- II. The second component is SMME Programme Design and Support. Having defined the institutional architecture above, the second component entails increasing financial and non-financial services to SMMEs. A priority with the former is to assist entrepreneurs who are unable to access finance, particularly due to collateral constraints and/or creditworthiness issues. The latter will focus on the non-financial, business support, and seek to reduce the high failure rate of SMMEs, by examining issues such as business management, skills development and enterprise marketing. The largely unrealised potential of state procurement from SMMEs is also noted in relation to avenues for SMME support.
- III. Small-scale informal sector enterprise operators and hawkers, often at the lowest rungs of a hierarchy of SMME size, are significantly also viewed as warranting support. In order to support them, the Provincial Informal Business Support Programme is to be established and will comprise of various state agencies (i.e. the DEDEA, the Department of Cooperative Governance and Traditional Affairs and the district Municipalities) along with associations within the informal sector.
- IV. Thirdly, SMME Regulatory Functions and Services. This component essentially seeks to examine, and where appropriate, lessen the regulatory constraints on the SMME sector. It aims to do so through a two pronged approach of, on one hand, educating those in the sector (particularly aspirant entrepreneurs) on regulations; and on the other hand engaging with municipal officials to rationalise and simplify regulations, in order to make it easier for the informally self-employed to comply with them.
- V. Fourthly Monitoring and Evaluation. The fourth and final component concerns policy co-ordination and management, and will be allied to the task of monitoring and evaluating SMMEs and SMME support services. The strategy proposes conducting monitoring and evaluation, along with research, and linking this to a series of information dissemination activities, such as annual conferences, seminars and summits on SMME development in the province.

The Western Cape: The Western Cape Co-operatives Strategy (October 2007), details an implementation plan with six objectives, and targets certain sectors notably the tourism, agriculture and craft sectors. It also targets geographic areas marked by high levels of deprivation, poverty and social problems such as crime. Cape Town's largest townships of Mitchells Plain and Khayelitsha are high on the priority list. These six areas are focused on:

- I. Creating an enabling environment for co-operatives to thrive. Some interventions in this regard are to ensure that sector departments and local authorities develop co-operative strategies and programmes for implementation. In addition to which databases of co-operatives are to be compiled, and attention devoted to raising awareness about co-operatives as an organisation modality.
- II. Co-ordinating co-operative activities between government and the envisaged, emergent co-operative movement. This will include the sharing of information and holding of meetings to support co-operative development across various government line departments.
- III. Developing the co-operative sector through increasing resources, both financial and technical. These resources will enable co-operatives to register and formalise.
- IV. Strengthening the co-operative movement. Resources will reportedly be earmarked for exchanges and learning among co-operatives.
- V. Developing tools appropriate to support development of co-operatives. It is envisaged these tools will help in the areas of registration, business planning and development, management, financing and marketing of co-operatives.
- VI. Monitoring and evaluation. An annual survey of co-operatives will be undertaken in order to gauge needs, blockages and constraints to growth.
- VII. In sum then, a wide array of provincial policies targeting co-operatives as a key modality for SMME support.

4.1.3 Municipal policies and Local Economic Development (LED)

Municipalities are tasked with developing and regulating SMMEs. SMME strategic plans and forms of local regulation (often local by-laws) are the primary mechanisms for this. However local municipalities vary widely in terms of how they approach the task. Smaller municipalities in particular are highly reliant on national and provincial government for many of their policy and operational prescriptions. In addition, within smaller, less-capacitated local municipalities, their corresponding district municipalities are expected to assume responsibility for policy developments related to SMME support.

However, in terms of understanding SMMEs, a crucial function of local municipalities is directorates or departments of Local Economic Development (LED). LED is a “decentralisation mechanism” which allows local and regional governments and their communities (business, labour and society) to shape their environments, improve competitiveness in local economies and ensure infrastructure and services work

well for industry and society” (Fray, no date). LED is intended to be a partnership of municipalities, businesses and communities; wherein local government assumes responsibility for ensuring overall economic and social conditions of the locality are investor friendly, productive and conducive to the creation of employment opportunities. Local Economic Development is therefore conceptualised as an outcome of actions and interventions resulting from sound local governance and integration of national priorities and programs within local spaces.

Central to the LED process are local Integrated Development Plans (IDPs). These are required to consider the local resources, opportunities and constraints and provide the structure for priority settings within the municipality. Prominent in this process are LED forums, which provide a platform for the various stakeholders to meet at regular intervals. In this formulation, LED is not intended to be an autonomous initiative of local government, but rather provide the space for the co-ordination of intergovernmental relations between all three spheres of government. It is hence argued that “the district and metropolitan scale is ideal for this de-concentration and for intergovernmental co-ordination. It is large enough for national and provincial government to organise their capacity spatially and small enough to respond to local/regional conditions and unique requirements” (DPLG, 2006). In this formulation local government not only has a co-ordinating role, but also a connecting one. It is supposed to connect its inhabitants to a range of services that are provided by different government department and institutions, rather than providing these itself.

4.1.4 SMME Support organisations

State-funded SMME support organisations are tasked with delivering services consistent with national policies. Despite their limitations, they are key domains of support to the SMME sector and the informally self-employed. SEDA (Small Enterprises Development Agency) is responsible for providing non-financial assistance on behalf of DTI. Established in December 2004 SEDA was formed in terms of the National Small Business Amendment Act of 2004, which made provision for the merging of three organisations; Ntsika Enterprise Promotion Agency, National Manufacturing Advisory Centre (NAMAC) and the Community Public Private Partnership Programme (CPPP). Accountable to the DTI and a host of donor funders, SEDA has a national head office in Pretoria and nine provincial offices. Provinces in turn have offices located in district municipalities, each branch staffed by a branch manager, business advisors and support staff. SEDA provides business development and support services for small enterprises through its national network in partnership with other role players in the area of small enterprise support. SEDA also implements programmes targeting business development in deprived geographical areas prioritised by the state.

SEDA has a strong presence in the Eastern Cape, where additional SMME support is facilitated and executed by the Eastern Cape Development Association (ECDC), under the auspices of the provincial Department of Economic Development and Environmental Affairs. The ECDE was established in terms of the Eastern Cape Development Corporation Act (Act 2 of 1997), in five regional offices throughout the province. The ECDC renders seven broad services, including providing development finance, promoting

investment, promoting trade, enterprise development services, project development, spatial and rural development, and finally property management and development. For the purpose of the current study, enterprise development services are of key interest, as they target SMMEs with skills development support, business advice, information technology support, product and market development and business linkages development. These services are extended to start-up, emerging, expanding and underperforming businesses. Enterprise development services exclude financial support, which are the responsibility of a dedicated Development Finance unit.

In terms of focal research sites, the Western Cape offices of SEDA are somewhat of an exception because they are not closely aligned to the Cape Town Metropolitan municipality, and SEDA has comparatively few provincial offices in the province. In the Western Cape, SMME support is executed by the Cape Agency for Sustainable Integrated Development (CASIDRA) particularly in rural areas, and administers the Real Enterprise Development Initiative (Red Door Project) at urban sites, with 13 advice centres throughout the province. These are an integral part of the Provincial Department of Economic Development and Tourism, and located within the provinces sub-directorate of Enterprise Development. It was created to support SMMEs, from those in their formative stages to established ones. Red Door is orientated towards black-owned businesses, and its services include assisting in writing and refining business plans; improving business skills; helping access finance; assisting with access to affordable service providers; conducting marketing and research; providing information on government incentive programmes (provided by entities such as like SEDA, DTI, Industrial Development Corporation, Khula Enterprise Finance, Companies and Intellectual Property Registration Office (CIPRO) for enterprise registration, etc.); facilitating applications for government tenders; and providing information on import and exports. Red Door also offers essential facilities such as internet access; small conference rooms; access to mentors; and runs a community entrepreneurship outreach programme.

In Limpopo SMMEs development and support is handled by the Limpopo Business Support Agency (LIBSA) which is part of the Department of Economic Development, Environment and Tourism. In particular it is located within the directorate of Promotion of SMME Development. While LIBSA's role is business skills development and support, its work is complemented by its sister organisations the Limpopo Economic Development Enterprise and Trade and Investment Limpopo which assists with finance and marketing respectively. With a head office in Polokwane and 20 branches throughout the province LIBSA's role is biased to developing key sectors of the Limpopo economy including mining, tourism and agriculture. Manufacturing, construction and information communication technology have moreover also been identified as key sectors of growth. In addition to enterprise development activities such as drafting business plans, LIBSA has two more programmes, namely SMME and co-operative development. The former is focused on business incubation, the latter on co-operative development. Business incubation is an intensive 15 month capacity-building course for new SMMEs to maximise chances of their success. The training includes access to bookkeeping, marketing management, stock control, practical pricing and costing and customer care.

This array of services provides the context of state support for SMMEs, a realm within many of the informally self-employed operate.

4.2 Research sites

The section that follows describes the specificity of the focal research settings.

4.2.1 Elim (Limpopo province)

The town of Elim is located in Limpopo Province about 110 kilometres northeast of Polokwane and 20 kilometres east of Makhado town (formerly Louis Trichardt). Elim originated in the 1880s as a Swiss mission station built around a hospital and college. Much of the land in and around Elim remained tribal land, although some was later appropriated by the government to establish the township of Waterval, which currently falls under the authority of the local Makhado municipality. The larger Elim district contains seven additional villages: Shirley, Mugangeni, Mabedengwa, Tshuhara, Mabovo, Makangele, and Njakanjaka (all under the jurisdiction of a traditional authority). Over time population growth has led the eight villages to all but fuse together. The population of Elim is made up of Shangaans, Venda, Tswana, Somalians and Mozambicans who have intermingled over the years. The area's inhabitants are overwhelmingly comprised of black Africans (97.4% in 2001) (Makhado Municipality, 2005). In the 1980s the government upgraded the provincial roads passing through Elim. The existence of an accessible hospital increased the attraction of Elim as a destination. Elim is situated within the Makhado Local Municipality, which falls under the Vhembe District Municipality. The Makhado Local Municipality had a population of about 515 000 people in 2001, which is almost 10% of Limpopo's population (Makhado Municipality, 2005).

Near Elim's main intersection are privately owned structures that comprise the community's commercial hub. The 'old shopping centre' consists of a building that houses a variety of businesses (e.g. an Eskom pay-point, a butchery, a dry cleaners, a dressmaker's shop, and a petrol service station) surrounded by a variety of smaller buildings, semi-permanent structures, and approximately 800 stands of various sizes, about half of which are operated by fruit and vegetable vendors.

In 2006 a new shopping mall, 'Hubyeni', was constructed diagonally across the main intersection from the 'old shopping centre'. The establishment of Huybeni was the result of a process started a few years earlier by an agency of the provincial government called Trade and Investment Limpopo. Trade and Investment Limpopo commissioned a number of 'nodal scoping studies' with the explicit purpose of determining the feasibility of setting up malls in rural communities around Limpopo (Aliber et al., 2011). Elim was one of those where the demographics and associated 'market demand' were deemed adequate to support a mall development, and in due course private investors committed to doing precisely this. Hubyeni is located on land that was obtained via negotiations with the tribal council, whereby the previous residents were compensated and the council received regular rent. Hubyeni consists of 36 stores of various sizes, of which the anchor tenant is a large Spar. There is also provision for 50 hawker stalls and a taxi rank; however these facilities remain largely vacant. The impact of the new mall on existing businesses has been difficult to discern. While the owner of the main building that forms the focus of the 'old shopping centre' was vehemently against the mall, the qualitative evidence suggests that the

introduction of the mall has mainly served to intensify rather than displace Elim's commercial activity. If anything, the displacement has been in terms of local residents who formerly travelled all the way to Makhado town for their shopping, and who now shop locally. There is little indication that the number of hawker stalls has diminished; moreover, there has been further conspicuous private investment in the immediate area around the main intersection, including newly built doctor's rooms and a hardware store.

Complementing these commercial activities, the settlement of Elim serves as a transport hub for people and goods. Taxis and buses transport people; to convey a sense of the scale, the route between Elim pointing east along the road to Giyani is served by more than 60 taxis. The goods that are transported to and/or through Elim include agricultural produce, furniture and building materials (Aliber et al., 2011). As is the case with the taxi industry in South Africa's main cities, those who drive taxis are usually employees whose employers/owners tend to be local businessmen. The transport industry in turn supports a thriving market for those in auto repair and car washing.

The increased demand for residential accommodation is visible through evidence of higher density settlement around the town's centre. The further away from the centre, the sparser the distribution of the residential units. Virtually all the open space in the immediate vicinity of the two shopping malls has been taken up by car-repair, carwash and other informal businesses. The original Elim residents have either extended their houses, or constructed other buildings or temporary shelters on their stands to provide extra accommodation. The extra accommodation is leased out to temporary Elim residents for up to R300 a month. One such individual had constructed four rows of seven single rooms. Along the four roads that converge at Elim's main intersection, (in recent years) a number of residents have begun leasing out space for service-based enterprises such as hairdressers, carwash stations, brick-making, car-repair and places for public entertainment. Meanwhile, those residing beyond the town centre or the main roads can still afford to use their spare land for subsistence agriculture (Paradza, 2009).

With regards to the statistics, the demographic profile of the Makhado area is dominated by the young, with the largest population band the age category 5-14 years old (at 28%). Average incomes are extremely low (even if 75.9% of households reporting 'no income' do stretch credulity). Those who earn between R401 to R800 per month make up 10.8% of the population. In terms of education the majority (38.0%) report no completed education, followed by those with secondary schooling (26.4%), and then higher education (7.2%). Accordingly, many of the respondents (33.0%) have elementary skills and occupations. Despite high levels of poverty and deprivation, vigorous state driven efforts at electrification mean that many have access to electricity (67.0%), although the majority dispose of refuse themselves (76.8%), and use pit latrines ((Makhado Municipality, 2005). Limited water infrastructure means only 3.3% of respondents have water inside their yard, while 28.4% use a community stand pipe. The district has an estimated HIV prevalence rate of 9.0% HIV+ people, and a high (39.0%) projected numbers of AIDS-related deaths (Makhado Municipality, 2005; Vhembe District Municipality, 2008).

4.2.2 Khayelitsha (Western Cape)

Khayelitsha is a large urban township within Cape Town, and falls under the municipal jurisdiction of the metro municipality. Although there is a century-long history of African migration into metropolitan Cape Town, much of the larger Cape Province was declared a 'coloured labour preference area' in the mid-1950s. State policies actively sought to discourage black African migration to Cape Town, and the city remains exceptional for being the only major South African metropolitan area without a black African majority (the largest population group would historically have been classified 'coloured'). African migration into Cape Town was actively prohibited by the apartheid pass laws. For several decades the apartheid state declined to build new housing stock for Africans, with much existing housing intended for migrant workers unaccompanied by their families. Against these constraints population densities in the established African townships of Langa, Nyanga and Gugulethu steadily rose, and 'in-fill' (often 'backyard') sites became increasingly utilised. The poor quality of urban services and housing shortages were a festering source of protest from the 1970s onwards. It was against this backdrop that Khayelitsha was established in 1983.

Located approximately 30km away from the central business district of Cape Town, and edged by a buffer zone of working class 'coloured' neighbourhoods and a military base, Khayelitsha was intentionally sited far from the envisaged axis of white residential area growth. During its early 1980s the apartheid ideal was to relocate all of Cape Town's African residents to far-flung Khayelitsha, but determined resistance, unrelenting African in-migration to Cape Town and the late 1980s collapse of influx control scuppered this segregationist ambition. The initial projections were that 220 000 Khayelitsha residents would occupy leasehold housing, or be allocated serviced stands to build their own structures (Cook, 1985). Low-lying, sandy and prone to seasonal flooding, many of the early residents of far-flung Khayelitsha were displaced by the forced removals and internecine violent conflicts in the adjacent Crossroads settlement, or those with no (apartheid state endorsed) legal entitlement to be in Cape Town. Khayelitsha was therefore at the outset largely populated by those desperate enough to live there.

Planned and developed as a racial enclave, Khayelitsha continues to be a dormitory town, populated (almost exclusively) by over half a million black Africans the vast majority of whom are Xhosa, often migrants. The original 1980s township lay-out made little allowance for commercial activity: 'nothing more than 3-4 shops, a minimarket, a post office and a bank agency', with no other sites for retail, industrial or manufacturing activity (Cook, 1985, 62). Although contemporary Khayelitsha has grown to over 500 000 inhabitants, it has no discernible economic centre and is far removed from the industrial and commercial employment hubs of urban Cape Town. However, during the course of the 2000s, several changes in the urban face of Khayelitsha occurred. Firstly, a handful of supermarkets and the open-air 'Khayelitsha Mall' opened for business, as corporate South Africa's retail giants extended into urban townships. The second conspicuous change was an on-going process of urban redevelopment, with dense informal settlements slowly replaced by the provision of urban infrastructure and low cost housing. In the informal shack areas this entailed a process of 'de-densification', with some residents (drawn by random ballot) moved to new (and invariably more distant) 'greenfield' sites. Those who remained behind

dismantled their shacks in order to have their plots surveyed, and receive their low cost, two roomed concrete block houses, in a delicate process of *in-situ* upgrading. Although generally welcomed by residents, this slow process of replacing ramshackle corrugated iron, wood and plastic shacks often fractured social relationships, neighbourly ties and marginal but delicately balanced livelihood activities, built up over the preceding quarter century (Du Toit & Neves, 2006).

The focal research locales of Site B and Site C, (with their low cost ('RDP') housing and informal shack settlements) fall under the City of Cape Town's Ward 92. The enduring poverty of Khayelitsha is evident in the area's demographic profile: 40.7% of the population are aged 19 years or younger, the unemployment rate is 54.1% (compared to a provincial rate of 29.9%), and a quarter of households report no income (City of Cape Town, 2006). Of the minority that are employed, the two sectors that predominate are the wholesale and retail trade (18.9%) and domestic employment in private households (18.4%), the latter for female residents (City of Cape Town, 2006). As an Urban Renewal Programme node, Khayelitsha ranks third in the poverty index, after Inanda (KwaZulu-Natal) and Mdantsane (Eastern Cape).

4.2.3 Mount Frere (Eastern Cape Province)

The town of Mount Frere is located in the far northern region of the Eastern Cape, in the former homeland ('Bantustan') of the Transkei. Mount Frere is located approximately 80 km from the KwaZulu-Natal Provincial border and the (formerly white South African) town of Kokstad, and 100 kilometres north of the former Transkei capital city of Mthata (Umtata). The focal research site included the town of Mount Frere, along with the surrounding communal lands and villages of the larger district. Mount Frere and the surrounding district fall within the Umzimvubu municipality (197 551 people), which in turn falls under the larger Alfred Nzo District Municipality, comprised of 392 180 inhabitants (Alfred Nzo District Municipality, 2006). The area is occupied by amaPondo clans in the east and the Baca in the West, with the isiXhosa language widely spoken and many local residents readily identifying themselves with the larger ethnic appellation of 'Xhosa'.

Much like many others of its kind, Mount Frere is a small rural service town. The larger context has been shaped by the history of nineteenth century colonial subjugation and twentieth century efforts to turn it into a labour reserve for South Africa's industrial economy. An early way of explaining the division between the Transkei inhabitants was in terms of the distinction between traditionalist 'reds' (referring to the blankets and ochre clay with which they adorned themselves) and 'school' (those Africans who embraced modernity, Western schooling and Christianity), (Comaroff & Comaroff, 1999), or between 'townsman and tribesman' (Mayer 1971). This has been a staple of discourse concerning the Transkei's inhabitants for much of the twentieth century, this formulation is overly dichotomous and easy to overstate (yet the tension between tradition and modernity continues to be heuristically helpful in understanding the region) (Bank & Minkley 2005). It manifests in ambiguities of a hereditary chieftaincy, practices of subsistence agricultural production and the extent to which traditional idioms and cosmologies still inform everyday life. This setting is also shaped by legacies of underdevelopment and administrative weakness.

The Transkei was the first of the ‘independent’ homelands in 1976. Its structures of governance are ‘patrimonial’ (Peires 1991): homeland leaders maintain power by dispensing patronage within clientele networks. The homeland state secured political loyalty by securing an amalgam of local interests including those of the business elite, homeland bureaucrats and co-opted traditional authorities, while maintaining a delicate balance in the apartheid state which bankrolled the homelands. However, by the 1980s rapacious corruption and popular opposition had weakened the hold of the Transkei’s ruling Matanzima family. Waning elite and (crucially) military support served to weaken the homeland regime. The repeal of apartheid, and the end of the political rationale for spatialised ethnic separation in South Africa, saw the Transkei violently reincorporation into the larger, unitary South African state.

Despite its re-incorporation into post-apartheid South Africa almost two decades ago, widespread poverty persists in the largely rural, former Transkei. A dearth of progress on rural development has frustrated the promise of market led rural growth. Development remains constrained by the impoverishing spatial legacy of Apartheid, which means that it is peripheral to, and distant from the opportunities and markets of the core economy. In addition it is constrained by a range of planning, integration and institutional weaknesses, inherited from the region’s chequered administrative history. In this setting small rural service towns such as Mount Frere are important economic nodes, but not for the servicing of an agricultural economy. Instead Mount Frere is a retail and service hub, a conduit for the distribution and consumption of goods and services. Local incomes are generally derived from public sector employment, urban remittances and, increasingly, state cash transfers (‘social grants’). Much consumer expenditure effectively ‘leaks’ to nearby Kokstad (Business Trust / DPLG, 2007), the 2001 (Stats SA) census reflects that employment in the larger Alfred Nzo municipality is at a low 13%. Drawing on the 2001 survey, and a household subsistence level of R19200 per annum, the poverty incidence in the municipality is 90% (Alfred Nzo District Municipality, 2006).

The busy national N2 highway runs down Mount Frere’s main street. Constant traffic includes laden trucks travelling from Durban to East London, Port Elizabeth, the garden route towns and Western Cape. Mount Frere does not have a CBD (Central Business District) as much as it has a single road, lined by supermarkets, hardware stores, banks, insurance-company offices, a municipal-office, a post office, a fried-chicken outlet and various smaller retail outlets and petrol stations. Away from the main road is a mixture of suburban homes, overgrown vacant lots, small businesses and a single block of flats, occupied predominantly by local civil servants and formal sector workers. On the outskirts of town, a large, newly built 260 bed state hospital attracts referrals from throughout the district. The urban edge of Mount Frere is ringed with shack settlements and more established villages (some with neatly laid out plots and substantial houses). This settlement pattern blurs into the fallow and unfenced fields of surrounding communal grazing lands.

As a rural service centre Mount Frere can vary between virtually deserted on public holidays and Sundays, to being overcrowded and crammed with visitors from the surrounding district. Many businesses depend heavily on the monthly spikes of social grant and public sector salary payments, when dense multitudes of shoppers crowd the town, spilling over into the main road. The local municipality

appears to labour under the constraints faced by many smaller rural municipalities, and its services appear patchy and prone to interruption. There was, until relatively recently, no official provision for the large number of vendors that sold their wares on the main road, and virtually no evidence of municipal regulation. Various items, including live chickens, clothes, agricultural products and medicinal herbs were routinely sold from parked cars and pick-up trucks on the main road, or on the crowded pavements. For many years a local, independently-managed supermarket took ingenious advantage of the regulatory vacuum, by hawking its own wares on the pavement in front of the store. Each day a forklift truck would lower a large steel counter (complete with cash register) onto the pavement, and surplus, overripe and conveniently repackaged seasonal produce would be sold by a uniformed store employee. After 2009, the municipality removed a number of unauthorised steel shipping container enterprises off municipal land, and built scores of open fronted, roofed concrete vendors' stalls on a road perpendicular to the main road. Although the stalls are occupied by vendors, many feel their new location was not as optimally located as their previous unofficial sites in town, along the main road.

5. Findings: The characteristics of the informally self-employed

In this section the qualitative and quantitative empirical material is drawn on to develop a descriptive overview of informal self-employment, in terms of the characteristics of the informally self-employed.

5.1 Characteristics of the informally self-employed: Numbers and definitions.

According to the NIDS data, in 2008 there were approximately 1.14 million African and coloured individuals engaged in informal self-employment, where 'informality' is indicated by a 'no' response to the question, "Is the business registered or income tax and/or VAT?"³ While concern was expressed above regarding the exact wording of this question, there can be no doubt that it does serve to draw a real distinction. This is illustrated for example by comparing the incomes of these two groups, as in the table below:

	Estimated number	Average net profit year	n (usable)	Refusals/don't knows
Registered for tax	173,695	22,916	50	58%
Not registered for tax	1,138,926	2,413	355	61%

³ There were also 26 observations for which the response to this question was missing, extrapolating to about 59 000 people. These were not included in the pool of informally self-employed for the purposes of this analysis.

Those self-employed who are registered to pay income tax or VAT earn almost 10 times as much on average as those who are not registered, suggesting a distinction worth noting. The ‘cause and effect’ nature of this comparison will be discussed in a later section. For now this difference appears to justify use of the tax registration variable to define informality for analytical purposes. Moreover, there are no other variables within NIDS’ self-employment sub-module that appear suitable for helping distinguishing the formal from informal.

The table above also reveals a problem with the NIDS dataset, namely the inadequacy of the income data. More than half of the sample declined to respond to the questions about income, or they answered zero.⁴ The absence, inconsistency and overall poor quality of the income data could be taken as evidence in support of Adcorp’s doubts about the candour of respondents to official surveys regarding informal self-employment. By contrast, the response rate for the income variable for wagedworkers was about 86%. Having said that, the response rate on income questions for the formal sector self-employed was almost as poor as for the informally self-employed.⁵

However, it is worth noting that the main filter question regarding self-employment depended on a 30-day reference period (“Have you engaged in any self-employment activities during the last 30 days?”). What the data cannot show is how many people may have been involved in informal self-employment in the course of the previous 12 months but *not* in the previous month. One way of seeking to account for this is to consider the responses to the question as to how many months in the previous year the respondent was involved in this self-employment activity. Only 65% were engaged in the activity in each of the previous 12 months. One interpretation is that there are far fewer ‘year-long equivalents’ involved in informal self-employment than 1.14 million; in fact it works out to about 836 000.

On the other hand, it also means that there were presumably *more* people involved in informal self-employment in the previous 12 months than the 1.14 million. One way of guessing the significance of the ‘absent entrepreneurs’ is to assume that the NIDS ‘snapshot’ is more or less time-invariant (i.e. that if the fieldwork been conducted a month earlier or a month later, the number of people reporting involvement in informal self-employment would have been effectively the same, as would these people’s reports of how many months in the previous 12 they had been involved in that activity). From these assumptions, one can infer that for every respondent who indicated that they had been involved in informal self-employment in the previous 30 days, *and* for 6 months of the previous 12, there is one other person who was also

⁴In fact, the NIDS survey asks about net income from self-employment in three ways: i) the raw value of net income in the previous month, ii) the show-card range for the previous month’s net income for those who declined to give a raw figure, and iii) the net income over the previous 12 months. The questionnaire also asks how many months in the previous 12 was the respondent involved in the self-employment activity. Answers to each of these three was very partial, moreover there would appear to be many instances in which zero values appeared which should rather have been missings or refusals. As is described in the appendix, our attempt to maximise the number of useable observations by means of ‘combining’ these different variables was unsuccessful, thus for all tabulations/calculations involving net income, we chose in the end to rely mainly on the variable for net income over the previous 12 months, in particular the non-zero values thereof.

⁵See Appendix 4 for further reflections on the quality of the self-employment income data in NIDS.

involved in informal self-employment for 6 months in the previous 12, but who did not happen to be involved in the previous 30 days, and thus is not recorded as informally self-employed. In the table below, the right-hand column seeks to infer the total number of people who might have been involved in informal self-employment in the previous 12 months, including those not actually recorded as self-employed because their involvement did not include the previous 30 days. The end result is that one can estimate that there were 2.5 million people involved in informal self-employment in the previous 12 months in total. Of course, the 30-day reference period is not unique to the self-employment module, and the same numerical gymnastics could be performed in respect of wage employment. However, one could argue that it is the nature of informal self-employment to be especially impermanent and fluid. Thus, this is a valuable means of getting a more accurate sense of the actual numbers of people involved in it. Taken together, the two columns underline an important feature of informal self-employment, namely its bimodal nature between enterprises, on the one hand that appear to be enduring and stable, and on the other those that are short-lived.

Table 4: Number of months involved in the self-employment activity in the previous 12

	Estimated number at point in time	Inferred number over course of 12-month period
<1	2,946	35,348
1	56,858	682,294
2	49,554	297,326
3	66,277	265,106
4	43,014	129,042
5	35,355	84,851
6	59,925	119,851
7	12,616	21,628
8	37,256	55,883
9	14,232	18,976
10	45,633	54,760
11	15,677	17,103
12	651,884	651,884
Total – excl. missings	1,091,227	2,434,051
Total – incl. missings	1,138,926	2,540,446

To round off this preliminary, quantitative profile of informal self-employment, attention ought to be focused on two aspects of its demographics, namely ‘where’ and ‘who’. In respect of ‘where’, the four ‘geo-types’ provided for in the NIDS data are utilised (which are in turn based on the ‘settlement type’ typology used by Stats SA). The categories are a bit problematic in that the distinctions appear to relate more to the legal nature of the tenure than the urban/rural functionality (e.g. it would appear that some

dense settlements within the ex-Bantustans are regarded as part of the ‘ex-Bantustan’ geo-type by virtue of it being ‘tribal land’, whereas for current purposes they might better be treated as ‘urban formal’). Nevertheless, it is a useful starting point.⁶

As Table 5 shows, a very high proportion of the informally self-employed are located in urban formal areas. This merely reflects the fact that working-age adults are in fact concentrated in urban formal areas (about 47%). The fact that the same share of ex-Bantustan and urban formal dwelling adults are involved in informal self-employment suggests that the sparser population densities associated with rural areas is not in itself a major deterrent to informal self-employment. Somewhat in contrast, a noticeably higher percentage of those residing in informal urban settlements are involved in informal self-employment. This most likely reflects the greater intensity of need of ‘squatters’ to rely on informal self-employment in order to eke out a livelihood, and perhaps fewer opportunities to draw on land-based livelihoods and subsistence food production, along with weaker social networks.

Table 5: Informal self-employment by ‘geo-type’

	Number	Share of informally self-employed	Share of adult population
Rural formal	55,539	4.9%	3.3%
Ex-Bantustan	366,019	32.1%	4.0%
Urban formal	506,849	44.5%	4.2%
Urban informal	210,519	18.5%	6.5%
All	1,138,926	100.0%	4.3%

As for ‘who’, it emerges that involvement in informal self-employment is strongly differentiated by age and somewhat differentiated by gender (Figures 2 and 3 below show this differently: Figure 2 compares the shares of women and men in wage employment versus informal self-employment. Apart from the fact that for most age cohorts the share of those in wage employment far exceeds those in informal self-employment, there is a strong bias of wage employment in favour of men, whereas for informal self-employment this is generally not the case. Another interesting contrast is that while the share of women and men in wage employment drops precipitously past the age of 44, for informal self-employment this is not the case to the same extent.

⁶ Another issue is that the geo-types refer to the respondent’s place of residence, which is not necessarily where they ply their trade. This is not a shortcoming of the data so much as a reflection of the complexity of reality; while our qualitative interviews do indicate that this distinction is real (for example, some informal operators in Elim commute in from adjacent rural areas), our impression is that it is not disastrously common.

Figures 2: Wage employment and informal self-employment by age cohort and gender

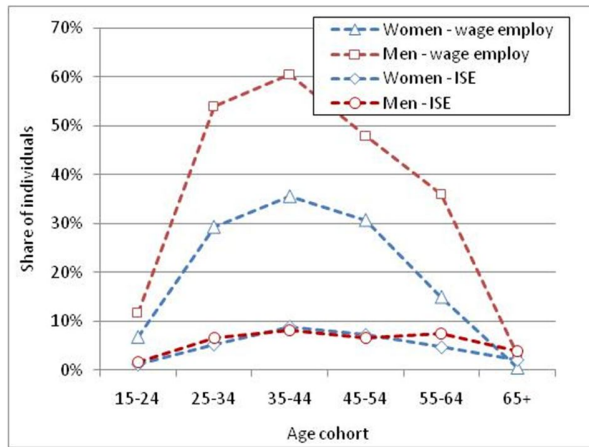
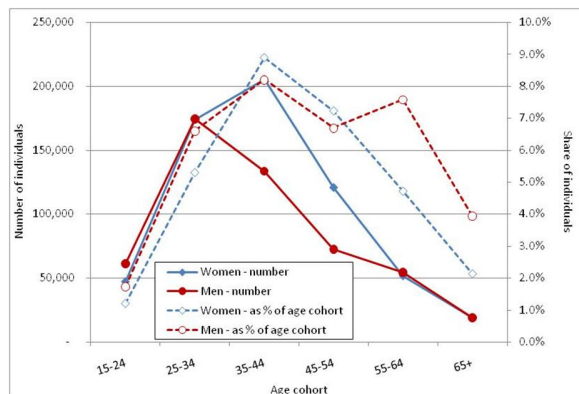


Figure 3 below focuses only on informal self-employment. The two dashed lines in fact plot the same values as in the previous graph, but appear different on account of the different scale. What the figure conveys however is that in contrast to wage employment, informal self-employment has a bias in favour of women, at least between the ages of 34 and 54. One possible interpretation is that women focus on informal self-employment in part to compensate for their exclusion from formal sector wage employment.

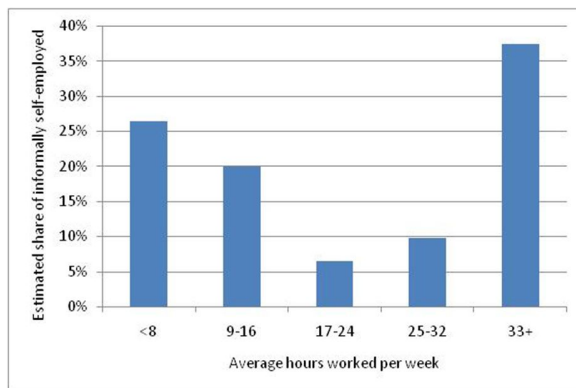


Figures 3: Informal self-employment by age cohort and gender, absolute numbers and shares

5.1 Characteristics of the informally self-employed: Enterprise types and incomes

Returning briefly to the topic of self-employed economic activity over time, it is worth noting that the informally self-employed also vary in how much time they devote to their enterprises in a given period. The NIDS questionnaire asked respondents to indicate how many hours they spend working in an average week on their enterprises. The responses are summarised below using categories imposed after the fact:

Figure 4: Share of informally self-employed by average hours worked per week



The pattern is clearly bi-modal in that almost 40% of all informally self-employed are effectively full-time (33 hours per week or more), while another 46% spend two days or less (up to 16 hours). The intuitive interpretation is that this represents distinct roles of informal self-employment in people's livelihood strategies. One might further wonder whether there is some kind of relationship between hours worked and the longevity of the enterprise, but in fact there is no discernible relationship, as is evidenced by the fact that the average months worked in the enterprise (out of the last 12) was roughly 8 or 9 for each 'hours worked per week' category. Perhaps more surprisingly, there is no clear relationship between average hours worked and income, which in the table below is measured in three different ways. The only relationship that does emerge is that those who work 8 hours or less per week on average appear to derive less income. Apart from the possibility that the lack of correlation merely reflects to the weakness of the income data, a plausible interpretation is that some of the least remunerative self-employment activities (namely petty trading) tend to require large amounts of time, because one of the main time requirements is 'being there' in order to attract the custom of passers-by.

Table 6: Net income from self-employment in relation to average hours worked per week

Avg hours per week	Net income over previous 12 months		Net income over previous 30 days		12-month net income per month worked	
	Mean	Median	Mean	Median	Mean	Median
<8	1,309	200	938	300	193	77
9-16	2,762	800	994	500	427	183
17-24	3,343	400	961	370	504	100
25-32	2,014	950	650	500	349	200
33+	3,077	1,000	1,245	400	555	167
N	326		406		279	

The table that follows reports the occupational breakdown of those in informal self-employment. Unfortunately, there was an extremely high rate of non-response to this question. Thus, some categories that might otherwise have appeared separately are lumped together as ‘other’. The self-employed tend to be located in three main occupations namely: ‘elementary occupations’; ‘craft and related trade workers’; and ‘service workers and shop and market sales workers’. The preponderance of ‘elementary occupations’ over ‘service workers and shop and market sales workers’ seems strange given the usual impressions (borne out by the qualitative fieldwork) that petty traders dominate the ranks of the informally self-employed. However, according to the South African Standard Classification of Occupations (SASCO) (to which NIDS adhered), one of the main sub-categories of ‘elementary occupations’ is ‘elementary sales and services occupations.’ While the mean and median income estimates are of limited utility given the small sample sizes and the various difficulties with the income data noted above, the general pattern is consistent, namely that the rewards to ‘elementary occupations’ are modest as compared to those which would appear to require more skill, or capital, or both.

Table 7: Informal self-employment by occupation

Occupation	Estimated number	Net income over previous 12 months		Net income over previous 30 days		12-month net income per month worked	
		Mean	Median	Mean	Median	Mean	Median
Service workers & shop workers	50,750	1,321	700	737	500	202	92
Craft and related activities	96,504	5,901	1,000	1,337	475	643	210
Plant and machinery operators	25,904	8,875	5,200	1,513	750	1,736	833
Elementary occupations	292,846	1,214	200	727	225	259	100
Other	11,409						
Don't know	4,724						
Missing	656,790						
All	1,138,926						
N		139		159		60	

The qualitative inquiry, and its sample of cases studied examined the variety of activities in which the informally self-employed took part. What are noteworthy of these are the regularities between activities, and the extent to which certain kinds of activities re-occur. Although the qualitative data is not orientated to broad generalisability the data suggest that a range of approximately a dozen activity types or enterprises predominate in South Africa’s informal sector.

The data also underscore the notion that some activities and enterprise types are potentially more lucrative than others, and there is an inherent hierarchy of value. Consistent with the quantitative analysis, the most remunerative activities are those that rely on higher levels of skill, capital or equipment, which constitute barriers to entry. In the empirical material discussed examples of these included dressmaking, specialised farming (i.e. bees, chickens and cattle), artisanal manufacturing (such as welding and tin smithing) or services such as mechanical repairs, taxi driving or ploughing. The barriers to entry imposed by the demands of skills, capital and equipment are generally lower for the less remunerative activities such as menial physical work or petty vending. As those employed in the least lucrative of enterprises and lowest levels of return engage in activities that require limited skills and capital they typically sell their primary tradable asset: their time or physical labour. Activities here include collecting firewood or water, or tending cattle or making sundried mud-blocks (in rural locales), or the long, messy work of preparing cooked sheep heads ('smilies'), or extremely low levels of vending. These activities demand either high levels of physical effort, or the investment of large amounts of time for low returns. In this somewhat schematic distinction between potentially more lucrative activities which rely on higher skills and capital versus the less remunerative activities that make fewer demands on skills and capital, the case of retail trade is a useful one. The case studies suggest that retail, which predominates within the informal sector, can seemingly straddle a wide range, from relative small-scale and survivalist to relatively larger, more profitable enterprises (Ligthelm, 2005).

5.3 Characteristics of the informally self-employed: Gender differentials

With regards to gender, the gender composition of the main occupational categories for which adequate information is available is shown below. Women are dominant among those involved in 'service workers & shop workers' and in 'elementary occupations' (i.e. those occupations that from the previous table tend to be the least remunerative).

Table 8: Share of informally self-employed who are women, by main occupational categories

	Share of whom are women
Service workers and shop workers	84.7%
Craft and related activities	42.2%
Plant and machinery operators	20.5%
Elementary occupations	67.2%

The data generally point to the adverse conditions under which women work. Women, particularly unmarried women, have fewer tools and occupationally relevant items of equipment than men. In

addition, they have comparatively lower earnings than men, even when matched for educational attainment.

5.4 Characteristic of the informally self-employed: Enterprise objectives

In addition to enterprise numbers, types and incomes, the qualitatively-derived data suggest another criterion by which to understand the characteristics of the informally self-employed, namely the objectives or anticipated endpoint to which the self-employment activity is orientated. Even the relatively limited number of case studies presented in this research, illustrate the range and diversity of objectives associated with the activity of informal self-employment.

Despite the fact that the research revealed that not all informants were equally able to accurately quantify their profitability, qualitative inquiry did reveal the ‘order of magnitude’ of the focal enterprises. Incomes and activities ranged from simply augmenting household subsistence, to enabling accumulation and asset building. In many of the focal case studies (but particularly the food vendors and producers) the contribution to household subsistence was central. There was evidence of relatively high levels of ‘off-take’ (gain extracted in kind) from these enterprises. In these cases the ‘off-take’ was not only a major aspect of the enterprise; it should also be recognised as an objective equal in importance to that of making a monetary profit. In these cases the profitability of the enterprise could easily be subordinated to the extraction of ‘off-take’.

Viewed in narrowly money-metric terms, the case study of Vavile’s stall showed that high levels of ‘off-take’ inhibited the potential growth of his enterprise, and at several points undermined its very sustainability. Yet to understand his activity it is necessary to appreciate that his objective was to sustain his household, rather than grow or even sustain his enterprise uninterrupted. The fungibility of money (the ease with which it can be converted from one realm of value to another), is widely understood yet often taken for granted. However, it can potentially obscure the fact that although the objectives of generating income and or bolstering food security overlap, they are subtly different.

Food security and cash income were not the only objectives of informal sector activity. Another key and desired effect of self-employment was the way it allowed people to locate themselves in their households and social networks. For instance cool drink seller Magalama remained committed to her cool drink selling ‘business’, despite her low sales amounting to about R50 per month, and constituting less than 5% of her state old age grant income. However, the case study demonstrates how this activity served to keep her busy and socially engaged within the context of village life. Having only arrived in the village after her retirement from an urban centre Magalama was a relative outsider. This marginality was compounded by her physical immobility and the difficulties this imposed on interacting with others and building social networks. Her marginality flowed not just from her status as a relative outsider, but from the fact that she could offer little up for social exchange. Devereux (2001) explains that the most vulnerable of impoverished people typically face constraints in the systems of social reciprocity because ‘they have

weak social networks and lack tradable assets (including labour)' (Devereux, 2001). Magalama was marginalised in terms of both of these dimensions, despite the fact that she is, in relative terms, materially comfortable. It is against this backdrop that Magalama's cool drink vending assured her of a stream of visitors, cementing her place in social networks and serving to integrate her into the relational life of the village. It enabled her to enact appropriate forms of dignity, propriety and the sociality that Nyamnjoh (cited in Ross, 2005) termed 'conviviality'. Although Magalama's cool drink vending was poorly remunerated it provided an opportunity for her to potentially mitigate some of the suspicion or even hostility she as a socially atomised, elderly women might otherwise elicit within her village context.

Here it is helpful to bear in mind the nature of the context in which she lives. As a social group, elderly rural women (without any male social guarantors), in a patriarchal village context are vulnerable in very particular ways. For instance it is they, who are amongst the most likely to attract potentially devastating accusations of witchcraft. These are accusations which can potentially lead to significant, and devastating interpersonal violence (Delius, 1996). Magalama's poorly remunerated cool drink vending cannot be adequately viewed in narrowly money-metric terms. Instead Magalama's activities are an instrumental part of her efforts to maintain her social respectability within the community.

The point is not simply that the objectives to which informal economic activities are orientated can vary, and can include non-material social and symbolic benefits as well as food security and monetary income, but that they also need to be understood in a temporal context. Activities often make sense, not only in respect of immediate gains, but in terms of larger, complex livelihood strategies that often extend across time. For example, Sibongile's spaza shop was not intended simply to generate a daily income. Instead it served to provide the family with a foothold in the city, and thereby facilitated the education of her children, and hopefully also their ascendancy into secure, formal, middle class occupations. In this decades long, intergenerational project her primary objective was not, for instance, to grow the enterprise substantially, or to turn it into a business that could be inherited by the next generation. Instead the enterprise was to provide a resource springboard for the social mobility of the next generation. The purpose of the enterprise was to enable the subsequent generation to overcome the need to work in the informal sector altogether.

The temporal, longitudinal nature of enterprise objectives is also evident in relation to Nselo's rural *quqa* (taxi). This enterprise is dependent on an aging vehicle with high, on-going maintenance costs. Little provision is made for its amortisation, depreciation or eventual replacement. Hence, to conceptualise Nselo's *quqa* enterprise as a 'transport business' rooted in notions of enterprise sustainability and asset renewal, is to misunderstand the nature of the activity. Instead running a *quqa* is simply a way of extending the rate at which retirement savings from the formal sector are drawn down and eventually exhausted. The enterprise does not arrest this decline instead it simply serves to slow the downward trajectory. Nselo's *quqa* therefore enables him to effect arbitrage between a vehicle he owns or would own for his own use (a 'private car' in local parlance), and his need to extend the drawdown of his formal sector derived income.

Informal economic activity thus potentially satisfies a diverse range of objectives. Informal self-employment needs to be understood with reference to the full range and complexity of the aims and motivations of the people engaged in it. This is often missed by orthodox neoclassical economic approaches, which reductively gauge the success or failure of informal activity in terms of the aims of minimising costs and maximising profit. Such a narrow approach is inadequate, and would lead to misunderstanding the needs and interests of the informally self-employed, and an incorrect analysis of the kind of opportunities and obstacles they may face.

An alternative and more expansive conception, which better captures the diversity of the objectives and its fundamental social embeddedness, is therefore needed. The contours of what such a perspective might look like are evident in the livelihoods approach (Von Broembsen, 2008). This perspective does not simply understand informal self-employment as orientated towards generating income, but rather as activities which are socially reproductive and aimed at sustaining individual and household survival. Similarly, Petersen and Charman (2008) draw on a similar conception, and argue that informal self-employment ought to be understood within the triad of sustaining livelihoods, generating income and mitigating risk. Despite the utility of the livelihood perspective, it has substantial limits. Not only does it tend to oversimplification and reduction, through its failure to theorise the intensely relational character of livelihood activities, it is also poorly suited to capturing the longitudinal characteristics of these activities (Murray, 2001).

5.5 Characteristics of the informally self-employed: Diverse enterprise activities

Informal self-employment is frequently marked by diverse activities and complex synergies, both within and between the household-enterprise units. These synergies are complex and best illustrated by the qualitative findings. Several unitary household-enterprise units were marked by multiple activities which dovetailed neatly together, for instance, Nongazi's tavern, spaza shop and braai'ed meat business or Neliswa's dressmaking, footwear retail and healing. Both cases demonstrated the deployment of various household members across various activities, throughout the course of the day or week. Nongazi's children returning from school to light the fires and cook meat for the late afternoon passing trade; while Neliswa's day was patterned by early morning traditional healing services followed by sewing and weekly forays to resell purchased footwear as she straddled the major categories of production, retail and services.

These interlinked activities were clearly evident in the retail trade but not limited to it. Several of the rural household-enterprises who engaged in agricultural production sought to maximise profits by producing their own inputs, and effecting arbitrage with their agrarian production systems. Hence, David's bees quite literally cross pollinated his other crops, Maxaba grew (and, significantly, ground) maize to feed her chickens, while Raphulu's vertically integrated enterprise extended from his beef production, through cattle trading, to an abattoir, to the retail of raw meat (from his butchery) and cooked meat (from his basic 'restaurant').

The complexity of informal economic activity sometimes resulted in activities and enterprises that eluded easy categorisation. For instance during the research period Tenathi's 'second hand goods and hardware store' at various points sold: toiletry items adulterated with medicinal herbs; novelty tune-playing Valentine day mugs; and groceries. Each of these disparate items was opportunistically stocked in response to an emergent opportunity. These ranged from the initial presence of the sangomas, to a favourable deal on a 'job lot' of novelty mugs and finally the opportunity for grocery sales, provided by the serendipitous closure of an adjacent spaza shop. This diversity and dynamic array of retail defies easy categorisation according to conventional typology of enterprise type, and illustrates the nimbleness of Tenathi's ability to source, stock and respond to changing opportunities.

Diverse activities and synergies were not only evident within enterprises; they were also evident in the relationship between groups of the informally self-employed. These were particularly evident in the fixed retailers who worked from a static location in close proximity to each other, such as the fruit and vegetable vendors Alina, Maria and Salminah; the dressmakers Mavis and Nancy (who not only pooled their labour at various times but also took turns tending their collective wares); Neliswa and the dressmakers adjacent to her; as well as the polony vendor Zenzile and her confederates (selling polony, frozen meat and newspapers respectively). Tenathi's retail activities demonstrated similar patterns of mutual support and synergies with other enterprises (which shifted over time). For example in 2006 Tenathi's hardware was bound up in a mutually beneficial relationship with sangomas who occupied a part of her premises rent free. Although she derived no rental income from them, Tenathi's store synergistically harnessed their presence, as the sangomas drew in the passing trade and also deterred the criminal element. In addition, a web of synergistic interrelations extended beyond the sangomas who shared her building. Tenathi ran her store in parallel with her father's hardware store across the road, and they referred customers between each other if they lacked a desired item.

In much the same way as Zenzile and her polony-selling confederate, Tenathi and her father ran similar enterprises in close proximity to each other. Although this arrangement potentially risked them undermining each other's sales, it made it more difficult for a potential competitor to enter and also provided the opportunity to pool labour. Hence the regimes of labour required to run Tenathi's store were fluid. During slow periods Tenathi would go and sew at her mother's house, but when Tenathi travelled further afield a young female relative would be dispatched from her father's house to tend to her business (whom Tenathi would reward with small amounts of cash).

Finally, it is useful to reflect on the wide range of affiliations and relationships that underpinned these synergistic arrangements, each almost as particular as the specificity of an individual's life and social network. For instance, prior to her husband's claiming of their nuptial property during their divorce, Sibongile had for many years sold his alcohol on consignment from her spaza shop. After her loss of the spaza shop, and amidst fierce competition from formidable Somali traders, Sibongile withdrew from selling groceries, and subsequently entered into a casual arrangement with the Somali trader (buying flour from him and selling vetkoek to him). Similarly, spaza shop owners Sibongile and Nongazi, entered into mutual beneficial business arrangements, with a provider of electronic arcade games. Both had free

standing arcade game machines in their shops which were owned by the third party, but the profits were (by verbal contract) evenly split between the women and the supplier of the machines. Both women had been party to this arrangement for many years.

5.6 Characteristics of the informally self-employed: The interrelation between household and enterprise economies

The evidence suggests that in many cases household and enterprise economies are tightly intertwined, and transfers between household and enterprise are commonplace. Qualitative case study material suggests the widespread practice of internal transfers in kind ('off-take') particularly from food retailer's focal enterprises. Examples include case studies of chicken farmer Freddy, fruit and vegetable vendors Vavile and Alina, Maria and Salminah and spaza shop and braai'ed meat seller Nongazi. The levels of 'off-take' were considerable in several of the case studies, and for several household-enterprises a substantial objective to which their informal self-employment was orientated. Vavile, amongst others, suggested that vending comestibles was favoured because it lent itself to this arbitrage to meet directly the household's subsistence needs, unlike other items like cellphone accessories or toiletries. Apart from 'off-take' another form of transfer between household and enterprise was the use of an unpaid or underpaid (relative to market wages,) kin labour. Although commonplace in several case studies such as those of Aubrey, David, Raphulu, Tenathi, Sibongile, Vavile, Maxaba and Mamjoli it was not ubiquitous, and several respondents quite pointedly sought to avoid kin labour. The difficulties of using kin labour included the potential unreliability of kin (evident in the case studies of Neliswa and Marley) or potential entitlements kin might exact, evident in the case studies of Freddy and Tenathi (in relation to her biological children). Where kin labour was evident, an aspect of particular interest is the terms in which it was frequently described by research respondents. Many, such as Raphulu, Tenathi, Sibongile, Thembela and Siphon, firmly resisted describing those who toiled in their enterprise variously as employees or 'workers'. Even regular monetised exchanges following labour, were variously termed 'pocket money', 'gifts' or 'stipends' rather than salaries or wages. The candid manner with which most respondents described these employment relationships and the incredulity which routinely met researchers' description of them as employees, is significant. The force of their disinclination to view such workers as employees is not readily reducible to a desire to simply evade employment legislation. Rather, it was rooted fundamentally in prevailing conceptions of what constitutes a 'proper' (formal) enterprise, job and employment relationship.

From a quantitative perspective, there are certain kinds of 'hidden transfers' which the NIDS data are unable to provide much insight into, such as the extent to which, the informally self-employed consume out of their business stock, or draw on unpaid family labour. However, there is one line of inquiry possibly using NIDS data that does speak to the relationship between informal sector self-employment and the household, namely by looking at the extent to which households combine informal self-employment with other economic activities or strategies. In particular, the analysis explores whether the presence of informal self-employment in a household is more or less likely, and more or less rewarding, in the context of the household having or not having other income sources.

Table 9 begins by comparing the incidences of informal self-employment according to whether the household does or does not receive wage income, then whether it receives any employment-related income or not and finally whether it receives or does not receive grant income (The first two dyads are closely related, in that wage income accounts for the main type of employment related income). The main finding is that the incidence of informal self-employment is roughly twice as high among households which do not have other employment-related income sources, implying that informal self-employment is largely *compensatory* in nature. The situation with state social grants is somewhat different, in that the difference is small and not statistically significant. It might be surmised that there are countervailing pressures of approximately the same magnitude such that there appears to be no relationship; on the one hand, informal self-employment might also be compensatory for the absence of social grant income, while on the other hand, those who have social grant income are better able to enter informal self-employment. The latter proposition is one supported by research on state social grants, which documents the widespread phenomena of social grants channelled into productive assets and activities, including informal self-employment (Neves et al. 2009; Lund, 2002).

Table 9: Share of households having informal self-employment in relation to whether or not they have income from other sources

Household has...	Share of HHs with ISE
income from regular wage employment, versus	5.3%
no income from regular wage employment	12.1%
income from regular wage employment, formal self-employment and/or casual employment, vs.	6.3%
no income from regular wage employment, formal self-employment and/or casual employment	12.1%
income from social grants, versus	10.1%
no income from social grants	8.1%

Table 10 examines these relationships somewhat differently — in term of the implications of the ‘household portfolio’ for informal self-employment income, access to equipment for informal self-employment, total household income, total social grant income, and average household size. The main insight distilled from the table is that, regardless of ‘geo-type’, among households engaged in informal self-employment, those with wage income tend to earn more from informal self-employment than those households which do not have wage income. This is the case whether one measures informal self-employment income using variables capturing what individuals earned in the previous 12 months, or variables referring to income over the previous month. At least for ex-Bantustan and urban-informal areas, this earnings differential might in part be explained by the fact that households involved in informal self-employment are more likely to own equipment for their activities if someone in the household also has wage employment. In this way the acquisition of resources conferred by formal sector employment

provides opportunities for informal self-employment and maximising the returns to existing portfolios of assets.

Table 10: Informal self-employment income compared to and combined with other income sources

	Number	Avg. ISE inc. prev. 12 months	Avg. ISE inc. prev. month	Share having equipment for ISE	Avg. total HH income	Avg. total social grant income	Avg. household size
Rural formal							
ISE only	31,216	450	328	31%	3,438	964	5.0
Wage only	610,993	-	-	-	2,614	671	3.0
Both	23,107	1,671	790	31%	4,209	919	4.7
Neither	260,754	-	-	-	2,259	1,036	3.7
Ex-Bantustans							
ISE only	282,022	1,262	414	43%	2,037	891	4.8
Wage only	839,743	-	-	-	3,828	850	4.6
Both	58,557	2,319	988	56%	5,116	1,052	6.1
Neither	2,442,601	-	-	-	1,736	1,050	4.5
Urban formal							
ISE only	339,717	1,747	1,016	38%	2,906	712	3.9
Wage only	3,027,602	-	-	-	6,292	710	3.6
Both	146,589	2,116	1,252	37%	6,928	779	5.0
Neither	2,408,117	-	-	-	3,525	945	3.5
Urban informal							
ISE only	153,240	1,076	512	24%	2,490	628	3.8
Wage only	499,622	-	-	-	4,380	689	3.9
Both	51,916	1,592	916	38%	5,158	852	4.9
Neither	760,909	-	-	-	1,591	850	3.5

Other findings from the table include:

- With the exception of rural formal households (of whom a high proportion of those earning a wage are presumably working on commercial farms), those with wage employment only tend to have higher household incomes than those with informal self-employment income only.
- Wage-earning households that are also involved in informal self-employment tend to have higher total household income than those that do not have informal self-employment.
- Again with the exception of those in urban formal areas, households involved in both wage employment and informal self-employment tend to be larger than other households, implying a number of different possible interpretations. Larger households may have more need to diversify

into informal self-employment, and/or more opportunity to do so by virtue of having greater household labour capacity. The qualitative data suggests that some of the most successful enterprises are rooted in large households with ample labour capacity. Finally, research on the State Old Age Grant has demonstrated, its acquisition by a household member is associated with increased numbers of household members (Klasen & Woolard, 2009).

In a similar vein, the relationship between gender, marital status and involvement in informal self-employment is explored. The table below for example shows the breakdown by marital status of women and men who are and are not engaged in informal self-employment. The most conspicuous finding is that *both* women *and* men involved in informal self-employment are much more likely to be married than women and men in general and much less likely to fall in the ‘never married’ category. This fact lends itself to various interpretations, the most obvious of which is that the marital home assists (or at the very least is correlated with) the establishment of informal enterprise.

It can be hypothesised that households constituted around the formal conjugal contract of marriage are more successfully able to engage in informal self-employment because they are in aggregate terms more likely to have: accrued start-up capital and assets; the requisite surplus household labour capacity; and perhaps, are less likely to be marked by contested decision making processes as household members more readily defer to patriarchal household heads. These factors furthermore needs to be viewed in the light of evidence from the qualitative research, which suggests that many involved in informal self-employment are not necessarily seeking *only* to maximise income/profits, but rather pursue these activities, *inter alia*, as a means of diversifying the household’s ‘livelihood portfolio’.

Table 11: Comparison of marital status of those who are not and are informally self-employed, by gender

	Women		Men	
	Not ISE	ISE	Not ISE	ISE
Never married	51.5%	37.6%	60.0%	44.7%
Living with partner	9.9%	11.5%	9.2%	16.4%
Married	25.1%	36.3%	27.3%	35.8%
Divorced/separated	2.8%	4.5%	1.4%	1.5%
Widow/widower	10.7%	10.1%	2.0%	1.6%
Total	100.0%	100.0%	100.0%	100.0%

The quantitative data allow for consideration of the extent to which the marital home assists in the establishment of informal self-employment activities on behalf of one or more of its members by means of providing the start-up capital. While the NIDS dataset does not ask a question about the extent or source of start-up capital as such, it does ask, “Do you have any tools or machinery that you use in these

[self-employment] activities?” and “Approximately how much it would cost you to replace these tools and machines if you had to buy them today?” (Unfortunately, as with the variables relating to income from self-employment, these variables relating to tools and equipment have a high incidence of missing responses, plus a number of zeros which would appear to be miscoded missing responses). Table 2 reveals that married women are significantly more likely to have equipment or tools than those who are not married (i.e. subsuming never married, living with partner, divorced and widowed). At the same time, the differences among men by marital status are much less pronounced, perhaps suggesting a gender asymmetry in the nature of informal self-employment. The final observation, of course, is that informally self-employed men in general are more likely to have equipment or tools than women.

Table 12: Shares of informally self-employed women having tools/equipment, married versus other

	Women	Men
Married	34.3%	61.9%
Never married, divorced, widowed, etc.*	20.6%	59.6%
P > z	0.0031*	0.695

**Note: the underlying sub-sample sizes are small for divorced women and for divorced and widowed men, which is the main reason for collapsing some of the marital status categories.*

5.7 Characteristics of the informally self-employed: Social networks

Social relationships, networks and forms of social rootedness (or ‘embeddedness’) are key characteristics in how the informally self-employed engage with informal economic activity. Although social relationships and networks are an important component of all economic activity (Granovetter, 1985 & 2005) it has already been suggested that these social dimensions are particularly prominent in the context of economic informality. Markets and economic exchange in the context of economic informality are highly reliant on direct social relations, trust and interpersonal guarantee, as these contexts are characterised by far lower levels of access to codified rules (such as law, contracts and written procedures) along with weaker systems of intermediation (including legal, fiscal and business services) than are typical of formal contexts (Philip, 2008). Furthermore, informal economic activity frequently involves resources, assets and forms of value that are firmly embedded in social relationships. For instance, forms of wealth such as household labour capacity, communally owned land, or in many rural contexts cattle (ownership of which embodies a range of social and cultural values) are neither easily commensurate with, nor easily convertible to money. For these reasons informal self-employment frequently demands the ability to trade across realms, to effect arbitrage between the social domain on one hand and the market on the other. The extent to which this occurs has been suggested in relation to the often hidden transfers of unpaid kin labour and ‘off-take’ from enterprises.

The manner in which social imperatives can fundamentally shape the objectives or desired endpoint of informal self-employed economic activity has already referred to (for example the case study of cool drink vendor Magalama). Furthermore, these social imperatives pattern how informal economic activity is

conducted. They shape local idioms and everyday practices of trade. An important terrain of such social regulation is the issue of pricing. In many of the focal retail contexts the prices of standard items are frequently remarkably uniform. Similar prices prevailed for the daily comestibles (bread, milk and seasonal fruit) sold by spaza shops; beer sold by taverners; and even dressmakers had roughly commensurate prices for standard items of apparel. This was driven by a seemingly widespread reluctance to engage in price competition. Many research informants denied that they competed on price, and attributed their (relative) success to luck, happenstances or other non-market factors. In their strenuous avoiding of price competition, informal vendors instead engage in what Petersen and Charman (2008) term 'covert competitiveness', whereby they attempt to secure supplier discounts, prime vending locations, seek to build good customer relationships or grant credit. The case studies of Neliwas, Zenzi and Marley saw them routinely engaged in exaggerated displays of hearty rapport with customers, which they readily understood to be part of their sales strategy, rather than a lower price. When questioned on their competitive strategies, vendors often responded in vague and obtuse ways, arguably to a degree which could not simply be attributed to proprietorial secrecy. The reluctance to engage in price competition is comprehensible when considering how South Africa's poorer communities often exhibit strong normative codes of reciprocity and communal solidarity. This emphasis on communal solidarity underpins a reluctance to compete on price. Price competition would, according to standard economic theory, result in lower prices and price equilibrium at the lower end of a given market. Therefore there is strong social pressure against trader's 'breaking rank' and increasing market share by price competition in what would, for the collective, amount to a zero sum game. The force of the social prohibition against competing on price is arguably best exemplified by an example of its infraction, in response to successful Somali spaza shop owners in 2008.

Following xenophobic violence in 2008, including towards Somali traders, an officially commissioned report (Knowledge Link Services / City of Cape Town 2009) documented how tensions rose with local (South African) spaza shop owners "...not being able to compete effectively with foreign spaza shop owners in terms of price and changing customer preferences" (46). Although a phenomenon such as xenophobic violence is undoubtedly complex and irreducible to single factors, it is clear that by engaging in overt price competition the experienced and organised Somali traders violated local mores and prohibitions against price based competition. This practice fed into the hostility and violence of existing spaza shop owners.

The influence of social embeddedness on social relations has been described in terms of social capital. So too has the contestation and inequity which can characterise these networks. Social capital is not an unmitigated good. Individuals can be estranged from networks of social reciprocity or incorporated into them on highly adverse and unfavourable terms. This is the dark underbelly of social capital: contestation is reflected and enforced through suspicion, pervasive claims of 'jealousy' and is often a key factor driving accusations of witchcraft. Claims are typically articulated in terms of violence or the threat of violence. Aspects of these are evident in many of the case studies, ranging from Tenathi's delicate and compliant efforts to demonstrate her lack of complicity in her sangoma confederates death, Zikhode's lingering suspicion of the hand of his neighbours (jealous at his relative success) in his arrest, and Marley

and Neliswa's reluctance to use kin labour. The socially redistributive claims directed towards the informally self-employed take on many forms: tropes of jealousy and accusations of witchcraft; the entreaties and entitlements of kin or neighbours; criminal victimisation; and forms of unsanctioned claims. The management of these socially redistributive claims is a key task of the informally self-employed. As Cichello (2005) documents, fear of these, and fear of exhausting kin entitlements, were an enterprise to succeed, are major hindrances to informal self-employment.

6. Factors that influence informal self-employment

The section that follows describes the most salient factors which influence informal self-employment. These factors ‘mediate’ informal self-employment and are described in terms of the extent to which they either enable, or conversely constrain, informal self-employment.

6.1 Factors that influence informal self-employment: The structural context

The structural context of the broader economy and the value chains within which the informally self-employed are located are key determinants of success. Understanding the nature of the formal economy is critical to conceptualising informal self-employment. South Africa has been long industrialised, and subject to the forces of monetisation and commodification for over a century. The prospects for autarkic, subsistence production have long since been eroded. With the possible exception of traditional medicinal herbs, virtually every product manufactured or retailed in the informal sector has tight backward linkages to formal sector suppliers (Skinner, 2006).

The complexity of challenges faced by the informally self-employed in positioning themselves relative to these backward linkages is starkly evident in relation to tinsmith Radebe. Although adept at producing and marketing his wares, Radebe had in the past drawn on the services of key intermediaries (including a local skills development project) to secure a supply of scrap tinsplate. When he lost his connection with these intermediaries he was confronted with the challenge of sourcing this material. To do so necessitated he engage with a large, listed, multinational canning company, a task compounded by his limited proficiency in Afrikaans and English, his low levels of literacy and lack of access to communications technology (fax, email). His general lack of business sophistication made it difficult for him to write ‘offers to purchase’ or tenders for scrap material collection. Moreover his erstwhile supply was interrupted by various processes of formalisation within the corporation that produced the coated sheet metal. Firstly a process of upgraded industrial automation meant that production had become more efficient, so far smaller amounts of the waste tinsplate, so coveted by Radebe, was now generated. Secondly, the damaged and scrapped tinsplate material was no longer vended at the factory gate in small quantities to the passing trade. Instead it was now collected as part of a contractual arrangement between the canning company and a corporate scrap metal merchant. Amidst these processes of automation and formalisation, a third set of constraints emerged, centred around intellectual property concerns. As the canning company producing packaging for some of South Africa’s largest food conglomerates, it had steadily had to assume responsibility for its clients’ ‘brand equity’. Accordingly, the canning company was increasingly reluctant to release material with clients’ logos and branding, particularly if this branding was to be emblazoned on ‘township stuff’, as a canning company official put it.

The extent to which the informally self-employed can be enmeshed in larger markets is evident in the case of Raphulu. Raphulu's vertically integrated value chain was not a quixotic attempt to avoid incorporation in the core economy. Instead it was carefully interlaced with both the 'formal' (i.e. dominated by white farmers) and the 'informal' (black) cattle market in the region. Raphulu not only bought superior beasts to improve his herd: in addition, (constrained by resource-poor consumers unwilling to pay a premium for superior quality meat) he sold his superior cattle at the commercial livestock auction. At the same time he purchased inferior quality cattle at these auctions for resale in the price-sensitive local market (he summarised his impoverished customer's implicit belief that 'meat is meat'). In this way Raphulu carefully calibrated his sales strategy to the different registers of value which prevailed in the 'formal' market and 'informal' markets. The thinness of this local market was a constraint to Raphulu growing his enterprise.

In the face of the spatial and market access constraints faced by the largely black African informally self-employed research informants, it is unsurprising that many of them sought to access niches in markets (presently) not served by formal sector corporations. An example of this is the market for live chickens that Freddy taps into. The customer preference for live birds is linked to widespread practices of animal sacrifice in the context of a strong tradition of ancestor veneration and propitiation, along with the lack of access to refrigeration. Another example of a market niche not yet dominated by 'big retail' is the demand for traditional garments and dresses, often for the ceremonial, matrimonial or liturgical market. Dressmakers such as Neliswa had tried to make, manufacture and sell garments such as tracksuits and school uniforms, but soon found they were unable to compete with inexpensive Asian imports. However the niche traditional and church uniform market was at this point impervious to external competition. However markets are dynamic and it ought to be emphasised that if these niches prove sufficiently lucrative, larger corporate players may seek to enter them.

It is worth noting that the manner in which the self-employed negotiate their place in the value chain is seldom passive or marked by acquiescence. This is illustrated by two examples: that of the minibus taxi operators; and that of Tenathi's second-hand goods vending business. At the time of the research the taxi owners (who had purchased trailers from Pelepele) were fiercely contesting local government plans to implement a bus-based integrated rapid transit system within the Cape Town metropolitan area. Despite the assurances of various state based actors that there would be a place for taxi operators to provide a 'feed in' service to the transit system, the taxi operators viewed it as a real threat to their livelihoods. This was a set of concerns in relation to which they collectively threatened protest and disruption.

Tenathi's efforts to assert her place in the value chain were marked by a different strategy of response and agency. Her second hand goods were deliberately un-priced, as her African customers would offer her substantially below the price, and she inflated the asking prices to incorporate a substantial margin for bad debt. However the itinerant dealers who offered her goods for resale would raise their prices if they saw her prices and (seemingly generous) profit margins. Keeping prices secret, contingent and available only on enquiry, was a key technique Tenathi used to carve out a niche for herself in the space between the second hand dealers who offered her stock and the customers who bought from her. She readily understood that to give up proprietorial information and publically display her prices would amount to

financial disadvantage and incur the risk of giving up her sometimes perilous position along the gradient of value between sellers and buyers.

6.2 Factors influencing self-employment: The nature of local markets

The nature of local markets is an important factor mediating informal self-employment. Particularly in resource poor contexts, consumers are highly price sensitive and there is a strong need for affordable products. It is evident in Rapulu's sourcing of poor quality cattle; Nosabatha's lack of galvanising of her steel products (in a corrosive coastal environment); and Simon's reflecting on his need to use inferior materials in his cabinets. Markets are not only resource constrained they are often marked by informational deficits, such as Simon's clients not readily understanding the premium for a more substantial product would lead to more durable cabinetry. He lamented the race to the bottom that marked kitchen cabinet making in the township, where the customers only focused on price. This means the space for high quality, or superior combinations of price and quality (i.e. value) are constrained and inhibited.

Not only are informal markets in such a resource constrained environment marked by intense price pressure and informational deficits, they are also highly reliant on forms of interpersonal guarantee and relational based exchange. Not only are those in these markets unable to engage with the formal sector through forward linkages (lacking the ability to make themselves 'visible' to formal sector enterprises (through enterprise and VAT registration, etc.) they also lack the formalisation and sophistication to move beyond the social niches in which they operate.

6.3 Factors influencing informal self-employment: Formal sector links

Scholarship has emphasised the often hybrid character of impoverished livelihoods (Bebbington, 2000; Du Toit & Neves, 2006; Du Toit & Neves, 2009a, 2009b; Scoones, 1998), and those examining the informal sector have pointed to the importance of formal sector derived income for informal self-employment. Indeed Devey, Skinner and Valodia (2005) emphasise the churning between formal and informal employment. The qualitative research showed many examples where the sustainability of informal sector activity was linked to a history in formal labour market engagement by a household member either present or past. The enterprise can benefit in a number of possible ways. It can benefit from the regular and predictable income in the form of wages or remittances entering the household, which are either used as seed capital (e.g. Zenzi) or operating capital for the enterprise (Zungiswa).

Formal sector derived incomes can also generate a legacy effect, in which they contribute to informal self-employment even after a worker's withdrawal from the formal labour market. In several cases, particularly those of late middle aged men such as Freddy, Raphulu and Nselo there was a prior history of formal labour market involvement, which resulted in accumulated savings or other employment related benefits (such as the proceeds of a retirement, provident fund or pension) which was used as seed capital.

The example of Magaba and Neliswa illustrates how a death benefit or pension of their deceased, formal-sector employed husband was a major source of income required to enter into informal economic activity. Accumulated benefits from formal labour market engagement were in some cases important lump sums of capital, and converted into productive assets (Nselo's vehicles, Neliwas's sewing machine).

Having sketched out the importance of formal sector linkages, either present or past, to practices of informal self-employment three additional points ought to be emphasised. The first is to note that a number of enterprises are marked by sustained levels of activity but with relatively weak formal sector linkages, and do not accord with the two categories described above. These enterprise-household units had no discernible access (past or present) to formal sector sources of income, and include the examples of Nongazi, Sibongile, and Tenathi. In these specific cases the households typically had other distinct advantages, such as their 'first mover advantage' (Agarwal & Gort, 2001) (especially entrepreneurial activity honed under the adversity of apartheid) and/or access to increasingly valuable assets such as early acquisition of a particularly favourable township site during the final years of influx control.

The second point is to note that while linkages with formal sector incomes are strongly evident in relation to formal labour market income, state cash transfers (particularly the higher value state old age grants or disability grants) can be put to very similar uses, albeit within the constraints of their comparatively diminutive size. At the very lowest levels of informal self-employment, the resource base provided by South Africa's comparatively generous (by developing country standards) state cash transfers are discernible.

The third and final point is that formal sector employment is not the only benefit which accrues from engagement with the formal sector; the acquisition of knowledge and skills is also significant and are discussed in what follows.

6.4 Factors that influence informal self-employment: Education, training and legacies of human capital formation

A key factor which mediates the success of many of the informally self-employed is their access to human capital, skills, and training. The potential benefits of formal education are evident in the case studies of Marley and Sizwe. Marley's formal schooling, and Sizwe's extensive post-secondary school education, gave both men a complex and usable selection of concepts to understand their economic activities.

The quantitative data show that informal self-employment is not necessarily a refuge for the uneducated. As Table 13 shows, the educational profile of the informally self-employed is intermediate between those who are 'not employed' or casually employed, and those who are wage employees or are formally self-employed. For instance, relative to those who are casually employed or 'not employed', a somewhat smaller proportion of the informally self-employed have no schooling. However, relative to those in formal self-employment or wage employment, a somewhat higher proportion of the informally self-employed have no schooling, and a markedly lower percentage have some secondary education.

Table 13: Educational profile of adult black South Africans by employment status

	Not employed	Casually employed	Informally self-employed	Wage employees	Formally self-employed
No schooling	12.8%	10.9%	8.6%	6.5%	2.1%
Some primary schooling	22.7%	28.6%	27.3%	18.7%	12.0%
Some secondary schooling	64.4%	60.5%	63.8%	74.4%	82.3%
Some tertiary schooling	0.1%	0.0%	0.3%	0.4%	3.6%
All	100.0%	100.0%	100.0%	100.0%	100.0%

The educational profile of informal self-employment has a gender dimension, as indicated in Table 14. A somewhat higher share of women engaging in informal self-employment, have no schooling at all. Despite this the share of women involved in informal self-employment who have some secondary education is the same as that for men (i.e. about two-thirds).

Table 14: Educational profile of women and men by involvement in informal self-employment

	Women		Men	
	Not ISE	ISE	Not ISE	ISE
No schooling	12.1%	11.2%	9.4%	4.8%
Some primary schooling	21.0%	24.5%	22.8%	31.2%
Some secondary schooling	66.9%	64.3%	67.9%	64.1%
All	100.0%	100.0%	100.0%	100.0%

While the educational profiles of women and men involved in informal self-employment are not dramatically different, the same cannot be said of women's and men's earnings from informal self-employment. These earnings are strongly differentiated by both gender and educational attainment. The table below shows that for both men and women, the earnings from informal self-employment (meagre though they are) tend to rise steeply with higher education levels, but beyond this are consistently lower for women than for men per educational attainment category.

Table 15: Mean and median annual ISE income, by gender and educational attainment

	Women		Men	
	Mean income	Median income	Mean income	Median income
No schooling	1,306	300	1,605	700
Some primary schooling	2,241	500	4,669	1,000
Some secondary schooling	4,021	1,000	11,295	2,000

What accounts for these differences? One possible explanation for the gap between women and men must be excluded, namely it is *not* because our categories are too broad, such that within each category (e.g. ‘some primary schooling’), men on average have attained more education than women.⁷ Part of the explanation may be that women’s informal enterprises are less well capitalised than men’s, as shown above, and to that extent there is a positive correlation (the Pearson correlation coefficient between the replacement value of equipment/tools and annual self-employment income is 0.43). This in itself implies lower incomes for women. The question of why women’s enterprises are less well capitalised than men’s is perhaps to some extent answerable in terms of the superior access to formal labour market employment that men have historically enjoyed.

Similar gendered patterns are evident upon examining average income from self-employment in relation to various aspects of literacy (see Table 16). While it is not entirely clear that a higher ability with home language and English facilitates higher earnings from informal self-employment, or is merely a correlate with higher earnings, the likelihood is that it is the former. A similar question can be asked about whether the individual has a driver’s license.

Table 16: Mean annual ISE income according to various skill levels

	Average income from informal self-employment...				by whether one has a driver's license
	by reading level in home language	by writing level in home language	by reading level in English	by writing level in English	
Not at all	1,401	1,110	2,234	2,241	
Not well	1,538	1,463	3,658	3,723	
Fair	4,679	4,572	4,268	4,542	
Very well	7,398	7,505	9,308	9,196	
No					3,056
Yes					16,565

Taken together, the relationship between education and skill on the one hand, and the earnings from informal self-employment on the other, are echoed in the findings from the qualitative work, namely that the informally self-employed tend to draw on whatever skills and experience they may possess in order to find and exploit a social and market niche. Therefore there was, unsurprisingly often strong continuities between the types of activities associated with earlier wage employment and the nature of the enterprise initiated later on. This was evident in Freddy’s work for a formal poultry producer prior to his establishing a poultry enterprise; Raphulu’s job as a driver and subsequent acquisition of tipper trucks;

⁷ For instance, in principle it could be that within the category of ‘some primary schooling’, the average man had attained more years of schooling than the average woman; however, such a possibility was checked and thereby excluded (not shown).

and Nonelwa's job as a cook and later the opening of her restaurant. However, the relationship between skill and reward appears to be strongly conditioned by gender, to the significant disadvantage of women. In the absence of some other explanation for this phenomenon it can be surmised that self-employment opportunities are constrained by gender roles, resulting in a tendency for women to end up in the 'elementary occupations' of petty trading, as indicated above.

However skill and human capital formation ought not to be conflated with formal schooling. A focus on formal schooling needs to occur alongside other forms of skills acquisition. Many of the qualitative case studies suggest a place for shorter duration skills training. Research informants such as David, Neliswa and Maxaba had all benefited from formal training, which was focused on specific technical skills such as bee farming, dressmaking and chicken farming respectively. This ought to be contrasted with more generic 'business skills' training (financial record keeping, etc.), about which informants such as Tenathi were far more ambivalent (judging it irrelevant to their small enterprises). Moreover a narrow focus on schooling and formal skills training can obscure other routes of skills acquisition and processes of human capital formation.⁸

Processes of human capital acquisition are best conceptualised as existing along a continuum ranging from formal training to informal practices of skills acquisition. The latter entails a process of occupational socialisation and informal apprenticeship rooted in observation, practice-based learning and forms of local knowledge. These provide a potentially important foundation of entry into self-employment. These processes of informal apprenticeship were evident in the case studies of Tenathi (through her father); along with mechanic Zikhode (who learnt via observation), builder Thembela (informal apprenticeship) and Zungiswa (who was taught how to plough by his father). Within this category of informal induction into activities the cases of Sibongile and Marley are useful, because they worked alongside peers (her husband, and his Rastafarian cohorts, respectively), to hone their skills. The case of tinsmith Radebe displays the complexities of these processes of skill acquisition. Radebe was largely self-taught, having disassembled and studied through 'reverse engineering' the finished products of other more skilled craftsman. However this method had its limitations when attempting to master the technically tricky fabrication of right angle corners in tinplate boxes (in this case he deliberately sought out a more skilled tinsmith who could teach him).

It is also useful to bear in mind that a key demand of economic activities which require the use of technology, is not only technical proficiency in using the technology itself, but also the skills required for

⁸Unfortunately, NIDS is weak on vocational and skills training. Arguably the most relevant question in NIDS appears in the education module and reads: "Have you successfully completed any diplomas, certificates or degrees outside of school?" However, there is no further information captured to indicate the relevance of this for the currently self-employed. This is in contrast to the LFS, which at one stage had a reasonably good training sub-module, which began with the following filter question: "Has been trained in skills that can be used for work, e.g. book-keeping, security guard training, welding, child-minding?" From the 2005 September LFS, we know for instance that among black adults involved in informal self-employment and who have some primary or secondary education, those who received some skills training in the past have an average income that is roughly 40% greater than those who did not (own calculations). Interestingly, however, training is of no discernible benefit to those in informal self-employment who have no schooling, or who are illiterate, suggesting the importance of a basic level of education.

maintenance. In resource-poor contexts of economic informality, where machines (particularly powered machines such as sewing machines, motor cars, tractors, etc.) are often old, operated intensely and under harsh conditions or used with little provision for their replacement; a key demand of successful self-employment is the task of keeping the machine concerned serviced and repaired. This is a key task that enterprise operators either need to take on themselves or outsource. Examples of this include Nelsiwa's constant strategising around getting her heavily used domestic sewing machines serviced, the rising challenges faced by Nselo in keeping his rural *quqa* pick-up truck taxi on the road, and Zungiswa's crucial proficiency in repairing his tractors. In the case of Zungiswa, he anticipated drivers would be found to substitute for him if he found a formal job, but it is arguably the work of keeping the tractors running that is the key task of this enterprise. The occupational 'backend' of routine tractor maintenance and repairs is the effort exacted to be a successful ploughing contractor.

Finally these forms of technical competence (sewing, fixing cars, fabricating tinsplate, operating a tractor) are necessary but insufficient preconditions for the economic activities concerned. Successful self-employment requires a high degree of business acumen. The context of informality required the skills to manage: customers, the pervasive demands for credit, social networks, and potential patrons and benefactors. Successful informal self-employment is therefore reliant on experience, training, technical competence and the careful management of social networks. These are discussed in what follows.

6.5 Factors that influence self-employment: Social networks and social capital

The preceding sections highlighted the role of physical and human capital in informal self-employment, and noted the strong gender dimensions of each. The conceptual primacy of social relationships and networks in this context has been the importance of social networks and relationships in relation to informal self-employment. The qualitative data suggests the importance of understanding the social dimensions of livelihoods and enterprise strategies of the poor.⁹ These concerns are variously operationalised, sometimes as social networks or 'social capital'.

The extent to which informal self-employment has a 'social capital' component, and whether this is an area in which women have an advantage, can be considered in relation to the quantitative data. For this purpose, the NIDS dataset includes a number of variables that could be used to try to appreciate the more social dimensions to agents' milieu and strategies. Two types of variables are potentially useful. The first questions that probe respondents' perceptions of others' trustworthiness, the second, questions that asked about respondents' 'associational life'.

⁹ This in turn harkens back to other studies' take on the significance of 'informality', which is not merely a reference to the fact that many entrepreneurs fall outside the formal regulatory apparatus, but also suggestive of the idea that informal personal relationships form part of the strategies that make informal enterprises function at all (see e.g. Aliber, 2002: 3).

The first question regarding trust reads, “Imagine you lost a wallet or purse that contained R200 and it was found by someone who lives close by. Is it very likely, somewhat likely, or not likely at all to be returned with the money in it?” For purposes of the analysis, ‘likely’ and ‘somewhat likely’ were considered as affirmative answers (i.e. so that responses are binary). The questions tested are whether the informally self-employed tend to be more trusting than others, and whether there is a gender dimension to this. The findings are reported in the table below, with the general conclusion that there is no evidence that the informally self-employed differ from others, nor women from men, in terms of a tendency to trust other people. NIDS posed a similar question as to whether a ‘stranger’ would return the wallet or purse, and the results were similar (i.e. lack of appreciable difference between informally self-employed and others, and between women and men (not shown).

Table 17: Proportion of women and men responding ‘yes’ to question regarding trust, by gender and ISE status

	Women	Men	Likelihood that row shares are same
Not ISE	77.6%	76.4%	$P > z = 0.123$
ISE	76.4%	75.4%	$P > z = 0.795$
Likelihood that column shares are same	$P > z = 0.627$	$P > z = 0.741$	

Note: Statistical test for equivalent proportions. Here and elsewhere, ‘’ indicates 10% (two-sided) significance level; ‘**’ indicates 5% significance level, ‘***’ indicates 1% significance level, and no stars indicates not significant at any conventionally recognised level.*

However, the situation is quite different in respect of ‘associational life’. ‘Associational life’ was operationalised using the NIDS data by means of the set of 18 questions asking whether the respondent belongs to various types of local associations (e.g. stokvels, burial associations, community gardens, sports groups, church groups, etc.). Excluded from consideration was a single question, regarding membership of the ‘tribal authority’, on the grounds that the meaning is ambiguous; the remaining 17 questions were used. Two variables were created from this, of which one is a number between 0 and 17 depending on how many associations/clubs/etc. the respondent reported belonging to, and the other is a dummy variable that is 0 if the individual belongs to none and 1 if they belong to one or more. Ultimately the latter variable was felt to be more useful, given that most respondents who do belong to these local associations belong to only one in any event. The table below accordingly shows the proportion of respondents who belong to one or more local associations, distinguishing again between the informally self-employed and others, and between women and men.¹⁰ The findings can be summarised as follows:

¹⁰A logical suspicion might be that the informally self-employed are more likely to join local associations because in particular they are likely to join traders’ associations. In fact one of the types of associations that the NIDS questionnaire inquires about is ‘informal traders groups’. However, it turns out that these attract very few members in total, moreover the results of the statistical tests reported here are effectively unchanged if one omits this type of association from consideration in determining the 0/1 dummy variable.

- Women are more likely to be ‘joiners’ than men, but this is especially the case when considering women who are informally self-employed as compared to informally self-employed men.
- Women who are informally self-employed are far more likely to be ‘joiners’ relative to women who are not informally self-employed.
- Men who are informally self-employed appear to be modestly more likely to be ‘joiners’ relative to men who are not informally self-employed, however in contrast to the situation of women this comparison is not statistically robust.

Table 18: Proportion of people belonging to local community-based associations, by gender and ISE status

	Women	Men	Likelihood that row shares are same
Not ISE	37.1%	35.2%	$P > z = 0.024^{**}$
ISE	54.6%	38.5%	$P > z = 0.000^{***}$
Likelihood that column shares are same	$P > z = 0.000^{***}$	$P > z = 0.301$	

Note: Statistical considerations as noted below the previous table.

The observation that those engaged in informal self-employment are more likely to involve themselves in local associational life holds true for each of the four geo-types, though for urban informal areas the comparison is not statistically robust (See table below). If one disaggregates by both geo-type *and* gender, then the comparisons noted above are maintained and are mostly statistically significant at the 5% level or lower. The evidence is conclusive that informally self-employed women participate in local associational life more so than other women, and more so than men who are informally self-employed (not shown).

Table 19: Participation in local ‘associational life’, by self-employment status and geo-type

	Rural formal	Ex-Bantustan	Urban formal	Urban informal
Not ISE	28.0%	35.3%	39.3%	39.2%
ISE	51.5%	46.7%	49.8%	45.6%
Likelihood that column shares are same	$P > z = 0.003^{***}$	$P > z = 0.000^{***}$	$P > z = 0.002^{***}$	$P > z = 0.339$

Lest one imagine that this is a trivial or arcane issue, the analysis compared average incomes from self-employment depending on whether the individual belonged to a local association of some kind or not, and by gender. The statistical test is applied to women and men separately (i.e. the comparison of interest is not between men and women but between women who do and do not belong, and for men who do and do not belong). More will be said about the income differences between women and men in the following subsection. The findings are astonishing. Women who belong to some kind of local association earn on average twice as much from their informal self-employment activities as women who do not, and the

difference is significant at below the 2.5% level. For men, the situation is *reversed*: belonging to a local association is associated with an average income about half as great as that earned by those men who do not belong; this comparison is also significant at below the 2.5% level.¹¹ What accounts for this stark difference is unclear from the quantitative data however it supports the contention that involvement in associational life is a particularly advantageous way in which women who are self-employed in the informal sector organise themselves.

This finding can be related to insights concerning the gendered reconfiguration of impoverished livelihoods in contemporary South Africa. In the context of the rural Eastern Cape, Bank (2002) notes how it is women, rooted in the gendered networks of mutual assistance and community mobilisation that have historically proved particularly adept at positioning themselves relative to state and donor-led development interventions. Women, rather than men, demonstrate the nimbleness required to reconfigure both activities and organisations and to respond to a dynamic succession of development projects (e.g. early childhood development centres, school feeding schemes, agricultural and beading, sewing and various other income generating schemes). Whereas men, perhaps rooted in century-old cultural script of formal labour migration and prospect of toil in a fixed ‘job’, appear to be less accustomed to the improvisatory repertoire of livelihood-making, social-reproduction and the forms of associational life these demand. Therefore it is the women in this context who create and harness these forms of associational life to aid their informal self-employment, thereby compensating for much of the disadvantage they face.

Table 20: Mean incomes from informal self-employment, by ‘associational status’ and gender

	Women	Men
Does not belong	1,300	5,023
Belongs	2,665	2,387
Likelihood that column values are same	$P > z = 0.017^{**}$	$P > z = 0.019^{**}$

One theme that arose in the course of the qualitative fieldwork for this study was migration and relocation. Of the respondents from rural Limpopo and the Eastern Cape, for instance, approximately half had spent much of their economic prime in Gauteng or the Western Cape, returning to their rural roots later in life and seeking to commence an enterprise there. Given the importance noted above as to associational life, one might wonder whether migrants experience a disadvantage in business relative to those informal sector entrepreneurs who are already well established in the area. While the income comparisons in this regard are inconclusive, there is strong evidence to the effect that women who

¹¹ A non-parametric test comparing the median incomes was also applied, and the results support the t-test results noted above. Among women, median incomes of those who belong are higher with a probability of falsely concluding to that effect being 0.066. For men, those who belong earn less, with a probability of false conclusion being 0.107 (i.e. not quite within the 10% significance level).

relocate are especially likely to involve themselves in the local associational life, and even more so if they happen to be pursuing informal self-employment.

Table 21: Proportion of women belonging to local community-based associations, by relocation and ISE status

	Not ISE	ISE	Likelihood that row shares are same
Did not relocate	34.0%	47.5%	$P > z = 0.000^{***}$
Relocated	41.0%	59.7%	$P > z = 0.000^{***}$
Likelihood that column shares are same	$P > z = 0.000^{***}$	$P > z = 0.025^{**}$	

Note: No attempt was made to adjust for the fact that among respondents who indicated that they had relocated, some did so more recently than others. Neither was any account taken of the 'nature' of the relocation (e.g. from rural to urban or vice versa).

6.6 Factors that influence self-employment: Economic governance

Understanding the ‘right to trade’, and the manner in which the informally self-employed acquire and use it, is a crucial dimension in understanding informal self-employment. The ‘right to trade’ is bound up with larger systems of governance. Although much scholarship is traditionally concerned with aspects of state-based regulation, forms of informal, non-state based governance of economic activity are equally important (Meagher, 2010). Both forms of economic governance are considered in what follows.

Regimes of economic governance are contextually rooted and spatially organised, hence they take on different forms at rural and urban sites. In the discussion that follows, some of the prevailing forms of economic governance at the rural and then urban sites respectively are considered. In contemporary South Africa a significant source of difference between the urban and former-homeland rural locales, is the institution of the hereditary chieftaincy. In common with much of post-colonial Africa, South Africa is characterised by bifurcated regimes of governance, and even citizenship. While urban inhabitants are full citizens of civic authority, rural residents of the communal areas are the ‘subjects’ of hereditary traditional authorities (Mamdani, 1996). In dispensing rural governance, the chieftaincy derives much of its authority, and exercises its power, in relation to three domains: the settling of minor disputes; attesting to the residency of local inhabitants; and the allocation of land. Despite rhetorical appeals to tradition and pre-colonial ‘culture’, traditional authorities have for decades effectively been minor paid administrative functionaries of the state. In the communal areas of the former homelands they have dispensed governance in geographical spaces where the state is often absent or unevenly present.

In these locales the informally self-employed such as the *quqa* operator Nselo derive their right to trade from their residency. Hence Nselo explained a hypothetical new entrant to the *quqa* trade would have to live in the village, by securing a rural residential site, allocated by the local headman. This was in addition to other criteria, such as membership of the appropriate ‘van association’ with its attendant membership fees and fixed routes. Although the association is informal and ostensibly voluntary, Nselo thought it

unlikely and provocative that anybody would attempt to operate a taxi without membership of the association. To do so would almost certainly evoke stern sanction.

These forms of governance predicated on forms of traditional chiefly authority can be contrasted with urban sites. In both the small rural towns of Mount Frere and Elim, but particularly urban Khayelitsha, forms of civic authority associated with the modern state are more evident and coincide with denser agglomerations of state services. Traditional authorities are comparatively absent in these areas. Regimes of formal regulation associated with the modern state, including environmental health regulation (especially for food retail), land use planning (zoning, and specific spatial affordances for informal economic activity). Liquor regulations and road traffic law enforcement are particularly evident in the urban township of Khayelitsha, nestled as it is within a larger metropolitan area of Cape Town.

Against this backdrop of differentiated forms of governance at the rural and urban sites, it is useful to consider the relationship between formal state-based governance and informal varieties. In practice, the systems of governance are often intertwined, and even forms of state-based governance are significantly shaped by informal (viz. non-state) based varieties. This intertwined or 'nested' quality of economic governance was evident in the rural site and included the 'formal' officially endorsed traditional authority, and the distinctly informal (the 'van association'). Contoured by the specificity of the context, forms of authority and practices of economic governance have similarly intertwined characteristics at the urban sites.

In urban Khayelitsha, recollections of the role of the community based civic organisations and street committees were prominent in historical recollections of the allocation of trading sites. These organisations were historically aligned to the anti-apartheid struggle, and represented important sources of governance in a context where the state lacked popular legitimacy and its authority was contested. Although the apartheid state and resistance to it have long since disappeared, significant aspects of informal, non-state authority endure to this day in the urban township. A local taxi rank in Khayelitsha provides a prime site to examine this.

Research informants who worked in close proximity to the taxi rank (Neliwsa, Cynthia, Zikhode) readily identified the local 'taxi association', as an important source of authority. The voluntary association (it has no statutory basis) effectively runs the taxi rank, and the traders variously indicated they could appeal to the offices of the association to adjudicate disputes and deal with and deter criminals. Therefore hairdresser Cynthia remarked that the monthly 'sweeping fee' she paid to the taxi association, cleansed the area not just of litter but of the worst of the criminal depredations. Among research participants the taxi association was widely regarded as a source of governance and a buttress against unsanctioned claims in the form of victimisation by criminals. In a context marked by informality, the local taxi association is therefore an important vector of local governance. There was a clear spatial dimension to this dynamic, with its power and authority concentrated in close physical proximity to the taxi rank, and waning as it grows more distant. Finally, it is marked by the interpenetration of formal and informal authority, and systems of economic governance that characterise many of the spaces occupied by the informally self-

employed. The taxi rank is located on municipally owned land and is nominally overseen by a municipal official, yet the association effectively controls the rank and the state's influence is somewhat limited, particularly during periods of episodic, violent contestation.

The dynamic and intertwined quality of much economic governance in the informal sector is also evident in relation to other domains such as, road traffic law enforcement of the rural truck taxi (*quqa*) and the township liquor trade. The first example is the case of *quqa* driver Nselo. During the research period, an accident with mass fatalities of commuting schoolchildren catalysed stringent enforcement of traffic law-enforcement. Drivers of *quqa*'s are required to hold a 'Public Driver's Permit' (PDP), and Nselo's expired permit was the source of difficulties with the traffic police. However while current road traffic regulations permit the transportation of passengers in the load bed of a truck, they may not be carried for gain (i.e. as fare paying passengers), yet this regulation is routinely overlooked across much of rural South Africa. In the focal research site of the rural Eastern Cape, traffic authorities began enforcing the requirement for a PDP, but continued to overlook the prohibition against carrying fare-paying passengers in loadbed of trucks. When questioned on this, the local traffic authority ascribed the parochial tolerance of the pick-up truck *quqas* to residents of the area being poor and unable to afford a safer mode of transport.

Even this law has a variegated local application. The local *quqa* drivers could only travel (the predominantly unpaved roads) between a town and its surrounding villages. They tacitly understood that to venture on a longer distance trip to an adjacent province, would violate local selective application of the law and tempt the invocation of the routinely overlooked regulation and legal sanction. The formal regime of road traffic regulation, and its codified edifice of law, was therefore subjected to a shifting local interpretation and intelligibility, in which formal statute was accommodated to a local reality. In this way regimes of economic governance often have a hybrid, spatially contingent quality and are manifest in ways generally understood by both the enforcer and the enforced.

At the urban site, the regulation of the township liquor trade provided an example of a recalibration of informal practice in the face of shifting state regulation. The township liquor trade has long been an object of state regulatory concern and rather uneven enforcement. Research participants such as Nogazi and Zama had for years engaged in various practices such as maintaining low stock levels (to minimise confiscatory losses) and surveillance of the street to elude the police, as they sought to operate with discretion and minimise complaints from adjacent neighbours. This repertoire of activities was widely understood to be part of the challenge of operating a shebeen. However, towards the end of the research period in 2010, policing departed from long established practice of simply raiding shebeens, and focused on the wholesale and transportation of alcohol. In response Nongazi scaled back her operation considerably, while Zama engaged in a cat-and-mouse game of evading enforcement efforts. He engaged multiple confederates to purchase more than the police-prescribed five crates of commercially brewed beer (deemed appropriate for personal consumption or 'traditional ceremony' use). Zama would drive five men to the local wholesaler and each would present their identity book to ostensibly buy five crates for him. Sustaining the ruse required Zama to arrange to store the surplus stock with his proximate neighbours: all of which made for an exhausting exercise and simply expanded the number of

confederates he had to reward. Unsurprisingly, Zama complained this was adversely affecting his enterprise.

The ‘nested’, dynamic and hybrid quality of the relationship between formal and informal economic governance, presented in the above examples serves to challenge the notion of a firm and binary distinction between formal and informal, state-based and non-state regulation. Instead economic governance representatives are syncretic; they are a patchwork quilt of what Guyer (2004) calls ‘formalisms’. Enterprises and activities are enmeshed or ‘embedded’ in twin contexts of communal and social networks on one hand, and the overarching context constituted by the state on the other. This quality is a ‘mixed embeddedness’ (Kloosterman, Van der Leun and Rath, 1999), which marks much of the economic informality is particularly pronounced in a context such as South Africa where, unlike much of the rest of the African continent, the state (and the formal economy) are far from absent or ‘hollowed out’ (Bayant, Ellis & Hibou, 1999).

Finally, central to varieties of informal economic governance is enforcement through violence or the threat of violence. This is best illustrated by South Africa’s foremost informal sector industry: the minibus taxi industry. Taxi associations operate, to quote a report of an official state inquiry, “...like a modern day mafia with the power to kill people who disagree with them and threaten their interests” (Western Cape Provincial Government, 2005, 111). Accounts of the industry document the extraction of tribute by taxi associations, the amassing of vast war chests and the hiring of covert assassination squads to murder rivals.

In the qualitative empirical material collected in this research, several of the case studies documented the use of violence, or the threat of violence. Hence, the key to much informal self-employment therefore entails the ability to manage violence and similar such redistributive claims. Much violence in the South African context has a strongly relational quality (where the perpetrator and victim are known to each other). In statistical terms much of it is committed by poor people on other poor people and therefore can seldom be reduced to perpetrator’s instrumental calculations of material gain (CSV/DSS 2008). In the course of the research, accounts of violence were evident in relations to claims of communal jealousy, not infrequently accusations of witchcraft and the informally self-employed’s on-going task of managing unsanctioned or redistributive social claims. While much of the academic writing on the informal economy in Africa tends to exoticise the informal sector, Meagher (2009) notes that violence is often a response to enduring economic adversity and regulatory retreat. In the context of the minibus taxi industry discussed earlier, this is an explanatory concept that even official accounts support. The report of the official inquiry explicitly identifies how violence is enabled by a regulatory vacuum that marks the minibus taxi industry (Western Cape Provincial Government, 2005).

6.7 Factors that influence informal self-employment: Infrastructure and services

The data supports the contention that infrastructural provision is an important enabling factor for much informal self-employment. Basic services and the provision of services such as trading spaces, refuse removal and electricity were important to many, and virtually all of the larger food or beverage retailers depended on refrigeration of their wares. While the role played by the provision of infrastructure was evident in both urban and rural sites, it was particularly dramatic in the rural sites which had recently received electricity. Cool drink seller Magalama traced the convergence of several factors (capital from her state age grant, urban remittances, the building of a house and, crucially, the electrification of her village), as factors that enabled her cool drink vending. Maxaba similarly ‘self-provisioned’ herself around water supply by paying a contractor to illicitly plumb a connection into a water pipeline, thereby facilitating her agricultural production. The benefits of the irrigation were very apparent, in the expanse of her green market garden, amidst the autumnal colours of the surrounding landscape. At the urban sites, Zenzi’s polony vending was enabled by her prime location on the station concourse where she was both protected from the inclement Cape weather and the close proximity of the station security guards which served to deter criminals. However the absence of infrastructure can also provide some of the small interstices for the operating of small enterprises. In the case of Mamjoli her acquisition of a gas powered fridge, and crucially the resources and labour to continuously replenish the LPG gas cylinders that powered it, was a major competitive advantage in an un-electrified rural village. It is likely that the extension of the state’s electrification programme to her deep rural village will lower the barriers to operating a fridge, and precipitate new entrants into the petty retailing and selling of food and beer. It is conceivable that electrification will therefore spur new enterprises, intensify competition, eroding Mamjoli’s competitive advantage.

Against the backdrop of the upgrading of informal settlements in urban Khayelitsha the cases of Radebe, Thejiwe and Nongazi point to the importance of infrastructure. As does a counterfactual case of the consequences of its loss, by tinsmith Radebe, when his residential and workshop shack was demolished in a process of ‘de-densification’. Although his newly allocated concrete block house was weatherproof and larger, his case study details how it proved to be an inadequate site from which to work. Not only did his new unfamiliar, proximate neighbours object to the hammering emanating from his home workshop, he was now far from his prime vending site. He sought to overcome these constraints by building a rough stall from scrap materials on a road reserve, which was repeatedly demolished.

The essential point here is that much informal self-employment is honed over time in small and fragile spatial, social and livelihood niches. Processes of infrastructure development which see changes in the built environment frequently precipitate changes in prevailing social arrangements. While the provision of improved infrastructure may, on aggregate, represent an improvement in beneficiaries’ standards of living and future ability to engage in informal self-employment, it can also be highly disruptive of existing activities.

6.8 Factors that influence informal self-employment: Credit and savings

The issue of credit, both the managing of claims for credit and securing of credit are key factors faced by many of the informally self-employed, and can critically mediate their success. The pressure to grant credit to impoverished customers is intensely felt by many of the informally self-employed. This strong demand for credit ought to be understood against widespread practices of extending credit in a resource deprived context. It is a reality reflected in the vast range of financial instruments on which the impoverished African typically relies. Detailed financial diary based inquiry showed an average of 11 financial instruments (both formal and informal) that were used (Collins 2005; Collins, Morduch, Rutherford & Ruthven, 2009). In addition, requests for credit and responses to these requests are inextricably social and hence patterned by the architecture of social networks, and the dynamics of managing these networks, as discussed earlier.

Responses to customer requests for credit generally vary along a continuum, ranging from capitulation on one extreme to resistance on the other. Certain respondents such as Sibongile, Nongazi and Freddy often vigorously resisted extending credit, but others such as Maurice, Aubrey, Rasta, Radebe, Nosolomzi, Zungiswa and Neliswa granted varying levels of credit. Of those who granted credit, some such as Neliswa maintained carefully written records and strategically sold her shoes where she was not locally resident. She reasoned her customers would be more inclined to honour their debt to her if she was relatively unknown and outside the local circuits of social claims and entitlements. On the other hand, Radebe and Nosolomzi engaged in elaborate procedures to vet potential creditors. Radebe's sales employees recorded debtor's cell phone numbers and accompanied them to their homes to verify residential addresses. Similarly, Nosolomzi and Nonelwa were willing to extend credit to those with solid, formal sector jobs. Nosolomzi verified the employment of teachers by enquiring after their employment at their schools. Some research participants such as Sizwe, Thembela or Sibongile had in the past extended credit, but were now disinclined to do so due to the difficulties in collecting debt. Builder Thembela even contemplated changing his trade to the manufacture and vending of welded items to anonymous buyers in town, outside the networks of village life. In all of the above cases the management of debt and debtors generally relied on one of two broad strategies. The first is to resist or deflect requests for credit and evade customers (or potential customers) claims and entitlements. The second strategy, in contradistinction, relied on various kinds of diligent vetting, petty surveillance and even a process of building the 'weak links' (Granovetter, 1985) required for inducing payment from recalcitrant debtors.

Although credit constraints have been identified as hindrances to informal self-employment in the literature (Cichello 2005, Chandra & Rajaratnam, 2001), the empirical material suggests this to be a complex issue. While some research participants describe themselves as in need of creditor microfinance others resisted this idea. Hence Sibongile in 2007, in anticipation of the expansion of her enterprise, had saved up a considerable sum of the money required. Although frustrated in this ambition by her divorce and loss of her property, she subsequently used her savings to fund the construction of a new shop.

Sibongile was generally critical of supplier credit and what she believed to be the extortionate interest rates involved. She doubted her ability to service the debt, and turned it down. It is important to emphasise that enquiries about credit and microfinance took place in a context where microfinance is regularly touted in relation to the problems faced by those in the SMME sector. It is therefore not always apparent how large a problem credit constraints pose to the informally self-employed, or if they simply know this to be a form of assistance they can plausibly expect from resourced outsiders. Hence Nselo's 2006 request to the research team that he needed credit to fix his wrecked vehicles was undercut by the fact that he both held a variety of formal sector financial instruments, and subsequently consolidated his assets by selling off the wrecked and unproductive vehicles.

With regards to savings and risk management there is evidence of rotating savings societies being used as risk management and savings vehicles, and of funeral insurance being widely held amongst the respondents. In this way the management of money earned from informal self-employment derived money was channelled into savings instruments embedded in the realm of tangible social reciprocity. Ownership of formal financial sector savings products (bank fixed deposits, commercial endowment and annuity products) was limited to particular older men with histories of formal employment. While there did seem to be an anecdotal increase in the number of bank accounts held amongst the previously researched informants, risk management instruments such as short term insurance, disability and income protection cover were largely unknown amongst the case study informants. This dearth is significant and points to a key aspect of the vulnerability of the survivalist self-employed, and impoverished South Africans in general. Their marginality is reflected in their vulnerability to risk, as they typically have limited access to markets for financial intermediation, illiquid assets (such as livestock, communal land and township properties) and have risk-sharing mechanisms that are inefficient or poorly hedged against shocks such as natural disasters or adverse macroeconomic events (shack fires, spikes in food prices, currency devaluations) (Devereux, 2001). Devereux attributes this poor access to risk mitigation instruments to 'information asymmetries, chronic poverty, lack of collateral, covariant risk and high transaction costs' (514). Risk continues to be a major constraint on informal self-activity. As Cichello suggests, it makes people reluctant to engage in informal self-employment because they do not wish to give up the mutual support and social reciprocity.

In conclusion informal self-employment is influenced by a structural context of linkages, local markets, human capital, social networks, gender dynamics of local governance, the provision of infrastructure, and issues of debt, credit and savings. These factors, against the backdrop of the larger structural context, social networks and larger household trajectories shape the prospects of the informally self-employed.

7. The impact of state-endorsed programmes on SMME support and development

This chapter discusses the impact of the state (and state-endorsed) programmes which aim to support small and micro-enterprise in South Africa. These data were collected largely from face-to-face interviews and workshops conducted at the research sites, and from a review of secondary sources such as policy documents. While the findings were diverse and views expressed by policy makers were many and varied, for analytical purposes the findings are categorised into seven key thematic areas. Firstly this chapter examines the limits of state support for the survivalist self-employed. Secondly, enterprise support organisations are examined. The chapter thirdly signposts the importance of appropriate skills training, before proceeding to examine local (particularly municipal) government and support for the informally self-employed. The chapter then examines the place of co-operatives as a modality for SMME support, before, reflecting on the challenges of policy co-ordination and finally considering the on-going pressures towards formality.

7.1 The limits of state support for small scale survivalist self-employed

At the outset it needs to be recognised that there are substantial limits to support directed at survivalist enterprises. Most survivalist enterprises are engaged in retail under extremely adverse conditions, and have constrained prospects of growth or up-scaling. Several commentators have identified the disjuncture in much SMME policy discourse, between the recognition of the inherent limits of the sector, and the kinds of policy recommendations that are subsequently advanced (Rogerson, 2000, 2002; Driver et al. 2001; Von Broembsen, 2008). Related to this is the often implicit notion of a business continuum or ‘ladder’, which several (Napier et al, 2001; Von Broembsen, 2008) criticise as a rather heroic assumption, ungrounded in the pragmatic constraints faced by the small scale, survivalist informally self-employed. The majority of SMMEs are small survivalist enterprises, with limited prospects for growth or employment creation. This calls into debate the extent to which they are able to benefit from enterprise support, as opposed to interventions targeted at human and social development more generally.

7.2 Enterprise support services: Prospects and constraints

The research revealed that SMME support organisations often work hard to serve their targeted clients, despite the constraints they frequently face. At the urban sites, these organisations deliver a range of enterprise support services, whereas at the focal rural sites there appears to be a greater preponderance of support for co-operatives (often with a focus on the agricultural and light manufacturing sectors). The nature of these enterprise support services, in the focal research sites, is discussed in what follows.

In the Eastern Cape research site in Mount Ayliff, DTI's Small Enterprises Development Agency (SEDA) supported and registered a total of 15 co-operatives, 12 of which were funded by Alfred Nzo District Municipality and Umsimvubu Local Municipality. In addition SEDA contributed towards the training of various groups of beneficiaries in Mount Ayliff. This training and the numbers of beneficiaries involved, give a sense of local economic conditions and prospects: 15 bed and breakfast entrepreneurs were trained in health safety; 75 in advice on how to secure tenders, 75 in financial management and 75 in basic skills development and management. SEDA also reportedly assisted a local computer school with registration and accreditation. SEDA's self-reported success in the area must however been seen against the backdrop of a dearth of enterprise support in Mount Frere and Mount Ayliff, and the fact that it is the only organisation rendering non-financial (i.e. non-loan making) support to SMMEs. Furthermore, as the beneficiaries of the training were not interviewed, it is difficult to assess its efficaciousness. Yet, the views of hawkers affiliated to Mount Frere Traders Association are illustrative; most traders who had been beneficiaries of SEDA support found bookkeeping training of mixed utility. Two respondents went as far as to dub it 'useless'. They both expressed a desire for financial and loan assistance, and reflected on their difficult relationship with the all-important local municipality. The local municipality had demolished the informal stands from which they trade, and reportedly did not include them in discussions around zoning and trading space allocation. Several informants argued that this negated the potential benefits of SEDA training. These issues will be discussed further in the section on Skills Training below, and illustrate the sometimes dichotomous experience of informally self-employed on the ground, in relation to the actions of the state.

Local inquiry also reflected some of the limits of SEDA's activities. The rural service centres of Mount Ayliff and Mount Frere only had a single business advisor until 2009; by 2010 it had two business advisors, but one adviser was un-replaced while on maternity leave. Tasked with serving the geographically dispersed Mount Frere and Mount Ayliff areas, and clients in need of intensive business mentoring, it would appear that current staffing levels are inadequate to address the needs of these communities.

However SEDA registered some modest successes in Thohoyandou, Limpopo Province (complemented by the Limpopo Business Support Agency (LIBSA)) which offered similar support. In Thohoyandou, SEDA helped aspiring co-operative members draft business plans and access finance. Current beneficiary enterprises included vegetable and poultry farming, egg production, and some modest garment manufacturing. Amongst the 15 businesses that LIBSA reported having successfully 'incubated' in 2010, were some in vegetable production, catering, bed and breakfasts, and construction and hairdressing enterprises. LIBSA had also run a 'Youth Entrepreneurs' competition, where entrants submitted business plans, and the winning plan received R200 000 towards implementation.

Away from the smaller rural towns, in the large metropolitan site of Cape Town most beneficiaries of state enterprise support were individual entrepreneurs in the retail and service sectors. In Cape Town, a key player was Real Enterprise Development (Red Door), which ran a successful 'voucher' programme, co-sponsored by the City of Cape Town (CCT). The voucher programme funded independent service

providers to help aspiring entrepreneurs draft business plans and develop the requisite skills.¹² Cumulatively, Red Door offices reported supporting 782 beneficiaries in 2010 (exceeding the planned target of 713). The bulk of beneficiaries were mentored (551), but other categories of assistance included help in developing business plans (231), conducting enterprise health checks (15) and assistance with branding (24)¹³.

Inquiry also revealed that Red Door had experimented with a novel activity targeting small scale survivalist beneficiaries, who are often beneath the threshold of enterprise support services. From March 2005 to March 2006, it hosted a competition whereby a large number of microenterprise ‘winners’ received R1000 towards their businesses, but crucially entrants were not required to formalise their enterprise. In addition Red Door introduced a financial assistance programme (viz. Red Finance), which benefitted only 82 entrepreneurs (out of the 310 target), before it was suspended under uncertain circumstances. Nevertheless, despite not meeting its stated target, Red Door has assisted significantly more aspirant entrepreneurs on a larger scale than documented amongst other support enterprises. Unsurprisingly, Red Door had more staff, relative to the one or two enterprise development staffers in the Mount Frere and Mount Ayliff SEDA. However, even in the populous urban township of Khayelitsha, Red Door’s Khayelitsha branch had only four business advisors, with only one of them mobile and able to visit clients at their premises.

Despite some of the success stories associated with SMME support organisations, many grappled with a number of weaknesses which hampered their efficacy. Apart from the familiar obstacles of resources and staffing, enterprise support services were reportedly constrained by a relative dependency on provincial or national government departments for operational prescriptions. They also grappled with rigid inclusion criteria for clients. These selection criteria limited the organisations’ ability to tailor their offerings to conditions on the ground, and served to exclude potential clients. The question of how to screen potential beneficiaries by their scale remains a vexed issue. Many suggested that current screening techniques within enterprise support are not entirely reliable and identifying appropriate individuals is a somewhat hit and miss affair. Some informants associated with SEDA in the Western Cape initially indicated in an interview that they had a paper based instrument to gauge applicants’ entrepreneurial attitude’ and orientation, but subsequent inquiry saw officials disavowing this, as attempts to find this elusive screening instrument failed. Despite this, there seemed to be a strong desire for such a screening tool.

In discussing the limits and constraints of SMME support services, it is also important to reflect on the fact that their location within local communities could see them drawn into parochial rivalries and political contestations. Enterprise support services frequently had to navigate political intrigue at the local level. For instance, in Limpopo, traditional leaders were perceived to be interfering with the work of

¹²A similar approach is used by the Gauteng Enterprise Propeller, which is an agency of the Gauteng Provincial Government.

¹³Beneficiaries could receive more than one service.

service providers, through pressing for particular initiatives or sets of socially connected beneficiaries. In the context of urban Cape Town local political contestations were particularly strongly felt in the lead up to the 2011 local government elections. Some incumbent officials suggested that the African National Congress (ANC) aligned officials had claimed Red Door as their political initiative, and argued their particularly constituents ought to be well represented amongst its beneficiaries. These claims were articulated in a context where the local Red Door service providers maintained close working relationships and co-operated with the (DA-led) local administration. The precise veracity of these claims is of less relevance than the fact that, on occasion, the programme and the potential beneficiaries' that were entitled to participate in it became refracted through the lens of political rivalries. Finally there was also the suggestion that even amongst the relatively scanty services there was a degree of duplication between service providers.

7.3 Facilitating access to appropriate skills and training

Skills development and training was identified as an important area of SMME development, and was a need expressed by officials and policy making informants within data gathering workshops. Despite this stated need, training was far from problematic. Many respondents noted the apparent disconnect between the content of training courses and the demands of entrepreneurial activities. While enterprise support practitioners frequently argued that training needed to incorporate a firm focus on individual mentoring over time in order to be effective, courses were often of relatively short duration. Hence there is a tension between the need for training interventions to support aspirant entrepreneurs over a relatively lengthy time frame, with the relatively truncated duration of (often short) courses with negligible 'hands-on' components.

In addition, courses often focus on generic business skills such as book-keeping, business management and business plan writing, rather than offering specific, often technical, skills. Beneficiaries also noted that programmes seldom extended to the final step of direct assistance without securing the financial and material assistance they required.

Different role-players in the enterprise support different, domain articulated, ideas about who ought to be charged with delivering training programmes, and at what level. For example, some suggested that the Department of Basic Education ought to include entrepreneurship in primary school curricula. Against the backdrop of ascending levels of state endorsement for Co-operatives, driven particularly by DTI and the Department of Co-operative Governance and Traditional Affairs (GOGTA) a Co-operative Academy had been proposed, in mooted partnership with the Ministry of Higher Education. It was therefore unclear where the foci of entrepreneurship training ought to be, and what combination of primary, secondary and tertiary educational institutions it ought to involve. Presently, enterprise support offerings remain relatively disconnected from formal educational institutions, existing school curricula and articulate poorly with pathways to further training.

Some stakeholders in enterprise support services suggested that learning in partnership with the private sector or even directly from the private sector might be more effective than a narrow focus on classroom

based instruction. They argued that entrepreneurs would benefit from the skills transfer and market access available through these arrangements. While it seems intuitively plausible that striking a better balance between theory and practice would benefit fledgling SMMEs, it remained unclear how these kinds of interactions would be incentivised or institutionally supported. While affirmative procurement and black economic empowerment (BEE) may offer some points of policy leverage, broad appeals to corporate beneficence are likely to be of limited effectiveness.

Given the experience of support organisations documented above, there is ample scope to build on their successes and tackle the problem areas, such as resourcing, operating prescriptions, key criteria for including, articulation with local authorities and education and training.

7.4 Municipalities: A focus on support or regulation?

Local municipalities are not only the key contact point for citizens to access state services, they also carry an important developmental mandate. With regard to SMMEs support and development, metropolitan and district municipalities are expected to design SMME strategies and regulate SMMEs. However their contribution to SMMEs is potentially awkward as they are seldom intended to be service providers but rather co-ordinate service delivery from different departments and spheres of government departments (Fray, 2006). Furthermore SMME strategies are also not necessarily implemented by district municipalities, but rather by local municipalities (who in turn do not devise the strategy). These divisions create ample scope for SMME support to ‘fall’ between these various spheres of government.

SMME strategies detail how the municipality intends to co-ordinate service delivery to their local populace. However looking at how these are operationalised offers insight into how municipalities actually address SMME development. The issues afflicting municipalities, and their ability to offer enterprise support range from the general institutional and resource constraints that many municipalities face in relation to the poverty of their residents, to their relatively unfavourable spatial location along with specific issues pertaining to SMMEs. The specific nature of each municipality predisposes it to certain choices, preferences and resource allocations. For example, well-resourced metropolitan municipalities are better able to engage in programmes that attract investment. In contrast, rural municipalities (district and local) are likely to focus on poverty alleviation, because not only do they have a largely poor population with meagre or non-existing income¹⁴, but opportunities for enterprise development are often rather limited as well. In rural municipalities, the local economic development (LED) departments or units often have inadequate budgets or staff, whereas urban municipalities generally have better resourced LED divisions. Many smaller, rural municipalities have severe financial constraints; some are dependent on the Department of Co-operative Governance and Traditional Affairs (COGTA) for funding, and some render no SMME services at all. For example, the Umsimvubu Local Municipality actually generates very

¹⁴ See socio-economic profile of municipalities under this study in the context chapter.

little revenue in contrast to the Makhado Local Municipality which has a similarly poor rural population, but is closer to Louis Trichardt and therefore able to generate more revenue. In contrast, the metropolitan municipality of the City of Cape Town is comparatively resource rich.

Against the backdrop of constraints and differences in material endowments within municipalities, Local Economic Development (LED) stands out as the main mechanism for delivering services to the SMME sector. Therefore the extent to which LEDs are resourced and staffed depends on the level of resources the municipality presides over.

Understaffing is also a key issue for rural municipality LEDs. At the time of the research, the Makhado Municipality had two LED officers and a part-time administrator and the Umsimvubu municipality had a single LED officer, manager, deputy manager and administrator. By contrast, the City of Cape Town had a well-developed LED with several departments, including officials focused on spatial aspects of regulation and direct enterprise support, etc.

The types of activities undertaken by LED officials also depended on their different inclinations in making difficult choices between poverty reduction on one hand and economic growth on the other (Loetvoet and Freund, 2006). At the time of the research rural municipalities such as Umsimvubu were in the process of switching their focus from poverty alleviation projects to economic growth projects. By contrast, activities in the City of Cape Town largely epitomised economic growth models. In terms of the specific research sites, a flagship project in Mount Frere, saw the Umsimvubu Municipality undertake two feasibility studies (at a cost of R200 000 each) on a value addition project for peach processing and an agricultural pole (wood preserve) treatment plant.

With regards to the Makhado Municipality, it was in the process of compiling a database of SMMEs in the area under its jurisdiction. Officials regard this as a starting point for understanding existing SMMEs. Once completed, it was anticipated to help the Makhado Municipality to serve SMMEs within its jurisdiction better. The municipality also established the Makhado Traders Association and acts as the secretariat for the association (although it was unclear what the association had achieved to date).

Enquiry within the smaller rural municipalities saw informants within rural municipalities describe co-ordination problems with their district counterparts and even argue that that district municipalities provided them with insufficient LED financing. For example, the Makhado Municipality reportedly received a R400000 LED budget per annum, while the Vhembe District Municipality (of which the Makhado Municipality is part) had a substantially larger budget and reportedly spent LED funds on several expensive high profile events such as a land summit. Similar contestations by the local municipality in relation to the District Municipality were evident at the Umsivumbu Municipality. Officials claimed to have not received a disbursement from the Alfred Nzo District Municipality and lamented the absence of a SMME Strategic Plan, despite the fact that it is a requirement for all district and metropolitan municipalities. Officials at the Umsivumbu Municipality indicated their preparatory work toward an (ultimately aborted) Department of Agriculture supported Massive Food project, and the construction of vending stalls for traders; which were all to be completed on its shoe string budget.

By contrast, the Cape Town Metro Municipality is comparatively well resourced, and has solid programmes in place to support nascent enterprises. As already discussed, the City of Cape Town created a voucher programme, and ran a number of Business Centres.

Although municipalities are meant to regulate and support all SMMEs within their area, in practice it is the street vendors, hawkers, and those who trade from municipal land and city centres who receive the most attention. The informally self-employed who operate from private residences, particularly township homes, are typically neither the recipients of support nor are subject to law enforcement efforts. The greater visibility of traders in public spaces is therefore a double edged sword, as they are more likely to be both the subjects of enterprise support and of trading by-laws enforcement. Metropolitan municipalities including the City of Cape Town's try, to varying degrees, to regulate informal businesses operating in townships. Inevitably, SMMEs respond strongly to by-laws that affect them, with many small scale entrepreneurs feeling that the enforcement of by-laws is the only attention they receive from their municipality.

Municipal officials' understanding of enforcement and regulation are also of interest. In the City of Cape Town the enforcement of municipal by-laws sometimes put entrepreneurs on a collision course with the municipality. Despite this, officials in several parts of the municipality, including Land Use Planning and even Local Area Economic Development indicated they generally try various dispute resolution routes before enacting by-laws, and use legal enforcement as a last resort. However, conversations with officials did at times reveal regressive attitudes such as the belief that operators avoided registering their businesses in order to avoid paying taxes (commercial property rates) as well as an inclination to view all enterprises as in need of registration, even in one memorable case, the vendor selling *vetkoek* (fried dough buns). On the other hand, traders articulated that they view that they are not included in LED plans and that the well-resourced metro's engage largely with organised groups like the business chambers and NGOs.

Similar dynamics were evident in the smaller rural municipalities. In Mount Frere the municipality enforces a Street Trading by-law which aims to regulate hawkers along the N2. The Street Trading by-law was drafted and implemented in terms of the Business Act of 1991, and the 'community services' department enforces the by-laws. The municipal officials claimed traders are extensively consulted and that permits are issued in consultation with hawkers. However this was an account disputed by the traders who complained of the unilateral and capricious enforcement of the by-law. Not only were trading stalls demolished, and container stalls removed, stock was confiscated and heavy fines imposed. Traders argued that when by-law enforcement is harsh and un-conducive to business development, integrates the little LED support they do receive.

Similar sentiments were expressed in Makhado, despite the municipality arguing that hawkers are on the local LED board and can therefore take up such issues. However, hawkers in both Makhado and Mount Frere felt that the municipality did not take consultation seriously, and the LED forum was not functional.

In Makhado, groups of traders complained that the municipality hardly meets with the traders' organisation even though it spearheaded the establishment thereof.

If community organisations do not feel heard they tend to be suspicious of the motives of municipalities involving organisations in LED forums. While the LED forum is supposed to be of a multi-stakeholder nature, where issues of local economic development are discussed and a plan of action is adopted and implemented, many traders argued it simply endorsed predetermined council decisions. Parahanse and Goldman (2006: 03) succinctly warn of this: "Community participation in programmes would appear to be limited and contact seems to be at the level information provision, discussion and seeking endorsement".

In conclusion, at municipal level, while the larger metropolitan councils are better resourced and therefore better able to support SMMEs, SMMEs encounter the same problems with municipal by-laws. The stated LED aim of supporting entrepreneurs and formalising informal businesses is often contradicted or undercut by the way municipalities impose spatial limits on traders, handle disputes harshly and frequently ignore trader inputs. While the interests of the self-employed are frequently opposed, such contradictions need to be better resolved if SMMEs are to grow and become vehicles for further economic and employment growth and job creation.

7.5 Co-operatives: New models for support

Co-operatives are prominent in accounts of future modalities to support SMME development. The Co-operative Incentive Scheme (CIS) predominated in DTI officials accounts of support to the informal sector. The state strongly supports co-operatives because of their potential to tackle the challenges of poverty and unemployment. They are seen to be particularly well suited to rural based beneficiaries. The Co-operative Incentive Scheme (CIS), introduced by DTI, aims to incentivise and facilitate co-operatives, but provinces are expected to adapt the co-operative strategy in line with their SMME strategy. Therefore in drafting SMME strategies, provinces have leeway whether or not to include informal enterprises. At the time of the research the Eastern and Western Cape Provinces had developed co-operatives' strategies, and Limpopo was in the process of doing so. Limpopo officials particularly favoured the co-operative model and articulated the belief that it could make a significant contribution to the economy if properly supported¹⁵. Many successful recipients of business support in Limpopo and the Eastern Cape Provinces were co-operatives.

In the context of this study, and in relation to the task of supporting nascent enterprises, co-operatives were mostly manufacturing and agricultural worker co-operatives. Worker co-operatives dominate the South African SMME landscape and are defined by worker members owning and controlling the co-op on the basis of 'one member one vote' (Philip, 2003: 4). A less common variety of co-operative in South

¹⁵Interview with Limpopo government official.

Africa is the user co-operative, wherein the co-op benefits its members by delivering services, but they do not usually work for the co-operative.

Despite the valorisation of co-operatives they have limits as an organisational form. In practice such structures can have difficulty delivering the expected results. However, in the focal research sites, co-operatives experienced many difficulties such as problems managing complex organisational and group dynamics and the demands of balancing up 'off-take' with business viability. In worker co-operatives all members are owners, managers and workers and have to juggle with the contradictory tasks of collective entrepreneurship. Also, because very needy people often constitute the co-operatives, income generated may be used up without crucial savings being set aside. This negatively impacts on the survival and viability of the enterprise.

These are not unknown dynamics. Philip identifies (2003, 20) how the most common problem in co-ops is that they start with an oversupply of labour, relative to their productive base, and relative to the absorption capacity of markets they are targeting. Furthermore, the motivations and resources of co-operative members are varied and sometimes un-conducive to achieving the goals set out. Beneficiaries are known to engage with co-operative models in ways that facilitate social consumption (e.g. to accumulate money in order to make a specific purchase) rather than entrepreneurship and productive activities. In these cases the co-operative typically collapses under the weight of off-take, generous salaries and consumption. There was the suggestion that many beneficiaries also adopt co-operative models to access municipal or state financial support, when they would actually prefer to be a partnership or sole proprietor. As one SEDA official wryly noted, 'co-operatives are good in accessing money but bad at running a business'¹⁶.

Formed in order to access funding, many co-operatives teeter under the demands of collective management and run out of funds to keep them going. Inadequate funding is further exacerbated by a lack of market access, as many co-operatives are poorly linked to their prospective markets. Co-operatives and support organisations typically have to make some efforts to address market access problems. These include suggestions that co-operatives should work in partnership with the private sector, which has established markets for their products, or partner with the private sector as suppliers. However these relationships can also be fraught with power imbalances and exploitation if they are not equitably and adequately addressed.

In addition, while local government officials could readily see the desirability of co-operatives not simply producing raw products, but rather processing and adding value to them, in practice most co-operatives do not have the facilities or equipment to do this. For example, numerous co-operatives involved in agriculture tend to sporadically saturate the market with fresh produce. They are unable to further process fruit and vegetables without further investment in the premises, equipment and in meeting phytosanitary

¹⁶Interview with Small Enterprise Development Agency official in Thohoyandou, Limpopo Province.

demands. Constrained in their inability to add value, producers can only differentiate their products in terms of price, which makes for slim profits.

Finally against the backdrop of co-operatives as part of the states SMME strategies, much more thought ought to be given to how to make them viable, especially given the constraints highlighted here.

7.6 Policy review and coordination

In their efforts to overhaul SMME policies and legislation, national and provincial officials often acknowledge the limited impact of existing government-endorsed SMME programmes along with the need to remedy the disjuncture between policy and legislation on the one hand, and implementation on the other hand. Policy review and harmonisation in the SMME sector of national and provincial government, involves different ministries with different priorities. For example, while the DTI emphasises SMME competitiveness and support, the Department of Co-operative Governance and Traditional Affairs may emphasise governance and poverty alleviation; with the proposed establishment of a Co-operatives Training Academy, the Department of Higher Education may be involved in certifying institutional qualifications. Therefore, co-ordinating the different levels of policy review to develop a more comprehensive understanding and framework is crucial. As Rogerson (2010, 483) identifies: “There is a pressing need for closer cooperation between all LED stakeholders so as to avoid duplication of tasks and to establish complementary roles both for different government departments and for other stakeholders”.

In this respect the Provincial Growth and Development Strategy (PGDS) is potentially useful because it links the work being done by national departments and local municipalities, and ensures national policies are suitably adapted to provincial realities. PGDS informs provincial SMME strategies which in turn inform district and metropolitan municipality SMME strategies, and ultimately implementation at the local municipality level. Against the backdrop of national policy cascading down to local level, co-ordination between the different layers of government is crucial. However, co-ordination is frequently missing and fragmented, with policy makers and implementers operating in isolation.

The bulk of this next section will focus on the review of co-operatives. A few issues hamper SMMEs support, including centralisation, implementation and monitoring. At national level there appears to be much consensus that sound policies are in place, but implementation, particularly at local government level, remains a problem. However, as already highlighted earlier, many different problems afflict local government, and detract from its ability to deliver on its mandate to support SMMEs. In some cases, support to SMMEs does not comply with legislation, which seems to not be monitored by national and provincial government. For example, Red-Door (in Khayelitsha, Cape Town) said it terminated Red-finance in 2010 because SMMEs were not paying back their loans.

Furthermore as most support organisations do not provide financial support for SMMEs, several informants at policymaker workshops felt that SMME funding was too centralised (in bodies like the Industrial Development Organisation and Kula Enterprises). However, the criticism of centralisation of

contradicting views expressed that more integration is needed; integration and centralisation often go hand-in-hand.

With regard to DTI's massive review of co-operatives, the policy reviews are all predicated on the assumption that SMMEs, co-operatives in particular, can do well if properly supported and co-ordinated. In addition to the review, the enthusiasm for co-operatives has seen a Co-operatives Amendment Bill promulgated, which seeks to streamline or integrate different organisations that contribute to developing and supporting co-operatives, including state organisations that provide financial and non-financial services¹⁷. The bill proposes, among others suggestions, establishing a Co-operatives Tribunal, a Co-operatives Academy and a Co-operative Development Agency.

The proposed National Co-Operatives Training Academy is intended to capacitate co-operative members through training and issuing accreditation such as diplomas and degrees. It is meant to develop curricula and register them with institutions of higher learning (in terms of the Higher Education Act of 1997) and also partner with higher education institutions to conduct research. However, including entrepreneurs in higher education (an issue emphasised by policymakers in workshops and interviews) is a complex matter. Specifically, higher education will only be available to those entrepreneurs who already have a Grade 12 certificate; while most self-employed do not¹⁸. Furthermore, the necessity for the academy is unclear, as existing institutions such as universities of technology, further education and technical colleges or universities could develop the necessary SMME training programmes by building on existing programmes instead of reinventing the wheel. Existing institutions also already have the capacity to execute the work which the bill proposes the Co-Operatives Training Academy undertake. The proposed academy is likely to face many co-ordination issues because it will cascade down through the Provincial Co-Operatives Training Academies and district offices, and will also involve the Department of Higher Education, therefore this may not be the best model for improving skills training for SMMEs.

7.7 Recognising informality or imposing formality?

Despite concerted efforts by state officials to make SMME support work as effectively as possible the focus of interventions seldom extend to small scale informal enterprises. With regards to DTI support services, provinces have the discretion to include small scale informal enterprises in their SMME strategies. Apart from the novel '1000X1000' initiative, under the auspices of Red Door in Cape Town, informal enterprises receive little concrete support from the state. There appears to be limited recognition that many of the informally self-employed are either unable or unwilling to formalise, or grow in size. As informal enterprises are an important part of the livelihood strategy of the poor, the acknowledgement is

¹⁷State SMMEs support organisations were discussed earlier.

¹⁸Look at the graph on education and informal self-employment under the statistical chapter.

needed that not all informal enterprises can be absorbed into the formal system, but that these structures might still benefit from particular types of support. Hence more research is needed to establish their needs and how these can be delivered. In countries with weak business environments the labour productivity of informal firms is comparable to the formal firms, however in contexts with a stronger business environment (higher levels of service provision and regulatory enforcement), growing firms are more likely to benefit from registration, and consequently are more likely to be registered (Gelb, Megistae, Ramachandran, Shah, 2009).

The state would prefer for all informal enterprises to formalise, for a myriad of reasons, including its ability to ‘see’ them (if they grow large enough) and collect revenue from these enterprises. Growing enterprises run by aspirant ‘opportunity entrepreneurs’ also offer the prospect of employment opportunities. By contrast, survivalist entrepreneurs tend to be dismissed by many state-based actors as having little potential to contribute to the economy, and are described as being motivated primarily by personal consumption. Officials can sometimes articulate regressive attitudes, such as the memorable expression that survivalists are ‘sucking from government’ and their operators are in the realm of ‘welfare’ and accordingly the concern of the Department of Social Development. Survivalist entrepreneurs are therefore recognized and validated only so far as their potential to graduate into opportunity entrepreneurs. Currently, informal enterprises have to be willing to formalise and grow in order to access state support. However, for many marginal enterprises, formalising may well carry high opportunity cost, and place high burdens for engaging with bureaucratic processes, yet offer the business operator relatively little in the way of incentives.

7.8 Conclusion: The policy terrain

In reviewing current policies affecting the informally self-employed, state responses can be conceptualised as varying along a continuum ranging from, at one pole, interventions intended to support SMMES, to the imposition of regulations at the other. The challenge of state-policy towards the informal sector consists of delivering appropriate forms of support to nascent enterprises (consistent with the state’s developmental mandate) on one hand, while checking impulses to heavy-handed, exclusionary or inappropriate forms of regulation on the other.

At a local government level, the research has identified the manner in which municipal LED offices could be better resourced in order to provide better support for emergent enterprises. Municipalities need to also be encouraged to consider how they can reconcile this support for nascent enterprises with their other, typically regulatory functions (land use planning, traffic, health by-law enforcement, etc.). For many in the informal sector their interaction with local government unfortunately vacillates between the adverse consequences of enforcement and neglect. Related to this is the need to better think through appropriate responses to both support and enable small scale enterprises that are unable or unwilling to upscale or formalise.

Further areas of attention for officials in all spheres of government, include how to deliver appropriate training at scale, particularly the forms of skill-based competencies that many of the informally self-employed desire. The contemporary policy enthusiasm for co-operatives also needs to be underpinned by careful consideration of their potential limitations, including how to reconcile complex forms of collective management with entrepreneurial practice, and how precisely they will articulate with markets. A requirement which hangs over many of these points is the need for additional research.

Therefore, the policies directed towards SMMES and the informally self-employed ought to make explicit the preferred model of SMME development, what is expected at each sphere of government, and what services will be rendered by which organisations and institutions. In particular policy makers ought to consider:

- Whether, and how, to encourage more inclusive programmes of SMME support at the local municipal level.
- How to ensure that skills acquisition programmes articulate with the favoured institutional models of support (such as co-operatives).
- How support organisations can themselves be better supported with resources and appropriate, but flexible, criteria for selecting and serving clients.
- How to collaborate with other line departments and sectors (such as Education) to enable the sorts of enterprise and activities that the state seeks to promote.

8. Conclusion and Policy Recommendations

This concluding section synthesises the research findings, and offers a number of policy recommendations. This section firstly offers a broad overview of general considerations which ought to inform policy responses to the informal sector, following which more detailed policy recommendations are presented. These are organised according to a three part typology described by Manning (2008) of policy responses to the informal sector that seek to: enhance productivity; shape the institutional context and finally supporting human development and welfare.

8.1 Overview: Policy recommendations

This overview frames several overarching first principles, concerning how economic informality ought to be understood and responded to. State-based actors and those concerned with enterprise support services ought to:

- *Understand the limits of the concept of ‘the informal sector’ or ‘informal economy’.* Although the concept of informality has wide currency and is useful in many contexts, use of the concept needs to be tempered by realisation of the extent to which the concept is indistinct, contested and limited. The formal and informal sectors are highly interlinked through commodity flows, production linkages and practices of employment, therefore uncritical use of the informal sector or economic concepts is problematic because it can deflect attention away from the extent to which the informal sector is influenced by factors and dynamics fundamentally outside of it, in the realm of formality.
- *Understand that those in the informal sector are orientated towards highly diverse motivations and objectives.* There is a need to understand that diverse motivations drive the informally self-employed, and that these small scale survivalists have very different objectives, capacities and potential for growth, relative to aspirant entrepreneurs.
- *Ensure that the distinction between entrepreneurs and small scale survivalists is adequately understood by state based actors.* There is a need to ensure that the differences between the small scale survivalists and aspirant entrepreneurs is communicated to, and understood by frontline state-based actors, in order to facilitate optimal design, targeting and referrals between various interventions.
- *Ensure both small scale survivalists and aspirant entrepreneurs are adequately targeted by appropriate interventions.* Interventions directed towards the informally self-employed ought to be carefully disaggregated in order to support both aspirant entrepreneurs with the potential for growth, and smaller scale survivalists reliant on informal economic activities to sustain or augment their immediate livelihood needs.

- *Conceptualise support for the informally self-employed or informal sector at multiple scales or tiers of intervention.* As informal self-employment is a complex and multidimensional phenomena, it is useful to think in terms of multiple scales or tiers of intervention. These include: the larger macro structural economic context; the intermediate realm of enterprises and institutions; and finally the microstructural context of impoverished individuals enterprise operators and their households.
- *Conceptualise support for the informally self-employed in expansive terms.* As the informally self-employed are a large and disparate group, it is helpful to think of varieties of interventions targeted at them in terms of three core domains. These may include productivity and output enhancing interventions; institutional environment focused interventions; and finally individual development and welfare enhancing interventions. These three varieties of intervention are elaborated on in what follows.

8.2 Productivity and output enhancing policy interventions

South Africa is a country with a relatively well developed business environment where formalisation and registration generally carry marked benefits to enterprises (such as VAT refunds, bureaucratic ‘visibility’ to formal sector suppliers, access to services and the formal financial system, etc.). Larger enterprises therefore tend to either be, or become, more formal as they grow. There is however scope for productivity and output enhancing policies to support nascent enterprises are growing or exhibit the potential for growth. To this end, the following policy recommendations - directed towards state based actors concerned with the informal sector – are advanced:

- *Focus beyond the immediacy of SMMEs, and look at the influence of the larger economic context.* Opportunities for informal self-employment and SMMEs are constituted against the backdrop of a concentrated, monopolistic and vertically integrated core South African economy. Informal self employment is therefore crucially shaped by various aspects of state economic policies. Policymakers ought to therefore be aware of the limits of responding to informal SMMEs by narrowly focusing on these small scale enterprises or individuals. To do so risks losing sight of how the larger macro structural context shapes economic activity and opportunity.
- *Re-examine trade and industrial policies which serve to erode opportunities for small scale or informal sector producers.* Much current trade and industrial policy supports capital intensive growth enterprises, such as aluminium smelters or automotive assembly. These often rely on hidden state subsidies (such as cheap electricity, subsidised infrastructure or import rebates) yet generate comparatively low levels of employment and few opportunities for small-scale producers to enter value chains. Conversely, sectors which have traditionally offered low skill employment such as manufacturing (e.g. the garment and textile industries) have perhaps not received sufficient support and policy input to check their waning over time. These trade and industrial policies contribute to South Africa’s growth trajectory of employment un-intensive and

capital intensive growth. This not only fills the ranks of those thrown back into survivalist self-employment, it also constrains the points at which the informally employed can enter the value-chains as industrial outworkers, sub-contractors, etc.

- *Re-examine monetary and fiscal policies which undermine the employment generation capacity of the economy.* Capital intensive growth undermines the capacity of the economy to absorb labour or create opportunities for informal employment. This lack of labour absorbing capacity is arguably further deepened by a volatile and overvalued currency. These dynamics contribute to the pool of the unemployed thrown back on survivalist, informal self-employment. They serve to create an economy more starkly dualistic than it might otherwise have been.
- *Re-examine other aspects of state policy and intervention that serve to marginalise and exclude informally self employed people.* Apart from the overarching macro economic context, there is a need for the state to avoid reproducing the conditions that marginalise informally self employed people, across an array of domains. Small-scale retailers, producers and service providers with the capacity to upscale are frequently beyond the purview of state policy which tends to be focussed on larger market actors. For example, smallholder agricultural producers with a capacity to bring surpluses to market are often excluded by a policy bias towards large scale commercial agriculture across an array of policy domains (including agricultural policy, local spatial planning and retail regulation).
- *Develop and refine the capacity of state based actors to understand the reasons why many of the informally self-employed resist formalisation.* It is important to accurately understand the dynamics by which those in the informal sector remain outside the ambitions of formalisation and regulation (typically business and tax registration). Where informal enterprises are small or precarious, formalisation and regulatory compliance are often unfeasible, untenably onerous or hold no real benefit. In these cases state based actors, particularly the local ‘street level bureaucrats’ at the forefront of dealing with the informal sector ought to be able to recognise and acknowledge these limits. They ought to understand to failure to formalise in terms of these limits, rather than as an act of evasion or criminality. State based actors therefore need to be capacitated to develop a nuanced sense of formalisation, and the need for the subjects of their interventions to be in a position where formalisation is both desirable and beneficial.
- *Disincentivise the evasion of regulation by enterprises that are able to comply:* Where enterprises are of an appropriate scale to formalise, state based actors ought to support formalisation and processes of regulatory compliance, because to neglect to do so would begin to erode the benefits of formalisation. Formalisation and regulatory compliance ought to be supported by making the benefits of compliance outweigh the costs through the twin strategies of, firstly, making the costs of compliance low (by reducing costs, complexity and opportunity costs), and secondly, enforcement, sanction and addressing the factors that incentivise evasion.
- *Develop policies and interventions which support accumulation, and the acquisition of assets by the informally self employed.* There is much scope to develop policies and interventions which support accumulation through skills and asset acquisition. Several of these may be implemented

even in the absence of enterprise formalisation and business registration. Output and productivity in the informal sector ought to be enhanced by supporting the provision of the following to the sector: capital and microfinance; risk management mechanisms and insurance; and finally, mechanisms for contract enforcement.

- *Consider providing support to the informally self-employed by using points of policy leverage within existing formal sector supplier networks.* Existing suppliers (with whom many SMMEs have strong backward linkages), ought to be encouraged to support higher productivity activities or investments within the informal sector. This would extend beyond the support many formal sector firms already confer to downstream informal sector operators through, for example, credit, marketing and merchandising support. Two key mechanisms for achieving this type of support would be appropriate incentives and judicious state regulation. An example of the latter would be the requirement formal sector enterprises create opportunities for small enterprise operators as a condition of entry into historically underserved markets or geographical areas. This can be done through the cross subsidy of services (e.g. cellular telephony), trading spaces (in commercial property developments, such as township shopping malls), or support for partnerships with local equity partners (e.g. in agriculture or retail).
- *Support the building of forward linkages from the informal to the formal sector.* The extensive backward linkages from the informal sector to the formal sector are unmatched by forward linkages from informal enterprises to formal enterprises. There is much scope to support the development of these forward linkages. These ought to be prioritised in relation to one of two broad categories of enterprise or activity. The first are enterprises focused on high value, niches products and services often targeted at distant yet lucrative markets, such as craft or high value agricultural commodities (Philip, 2010). The second are products or services consumed locally and therefore are typically targeted at (often impoverished) parochial markets, including for basic foodstuffs, household consumables and personal services.
- *Recognise, support and regulate intermediators or 'brokers', as key figures to link informal producers to the formal sector.* Brokers, intermediators or 'middlemen' are potentially key figures in mediating forward linkages between small scale producers and the formal sector. They can provide support to overcome the often considerable administrative, informational and marketing barriers which small scale producers typically face (von Broembsen, 2010). Policy ought to therefore focus on supporting the development of broker or intermediation services to the informal sector. Particularly in sectors where intermediators have not already emerged through market forces, the efficiency and profitability of broker services could be improved by supporting the agglomeration of brokers or producers. Policy ought to also be concerned with regulatory mechanisms to check potentially opportunistic and exploitative behaviour within these often unequal intermediary relationships.
- *Continue to examine state procurement as a tool for growing SMMEs.* In the context of high levels of state expenditure and outsourcing, state procurement provides a fertile terrain for some

small scale producers or service providers to grow. Although constrained, and probably inapplicable to the smallest of SMMEs, existing policies of affirmative procurement ought to be more firmly incentivised, supported and administered to source from SMME producers and service providers. Obvious domains include security, cleaning and maintenance services, as well as the potential of smallholder agricultural producers to supply state run residential institutions (educational, health, correctional services), particularly in rural settings.

- *Deepen the capacity for oversight to monitor emergent opportunities and risks to the informally self-employed, associated with new technologies, products or processes.* There is scope for state based actors (pre-eminently the DTI) to consider how to enhance their capacity to proactively monitor emergent technologies, products or processes which are likely to impact on SMMEs and the informally self employed. The objective of this market oversight would be to examine how potentially positive effects could be harnessed, and ensure that these are not unduly monopolised by incumbent, formal sector players, or rolled out to market on terms which preclude those in the informal sector from benefiting. Particularly novel technologies, products or processes, or those with a ‘game-changing’ or ‘leapfrog’ quality (i.e. the capacity to radically supersede existing arrangements), ought to be of particularly policy interest. An example of this may be found in the contemporary convergence of payment systems and cellular telephony, and the ability of these systems to reach the historically unbanked.

8.3 Institutional arrangements

This category of policy recommendations is focused on building or optimising the institutional environment in order to support informal self-employment.

- *Understand systems of local economic governance and consider harnessing them.* There is a need for policy makers to understand systems of non-state governance which prevail within the informal sector, that often eclipse state-led regulatory efforts and crucially shape the terrain on which economic activity occurs. Examples of these include minibus taxi associations and, in many rural locales, traditional authorities. Where appropriate these forms of governance ought to be contained or harnessed (through enforcement and inducements) in order to improve the environment in which informal self employment is undertaken (e.g. using minibus taxis as a feeder service for urban transport systems). In this process caution needs to be exercised to ensure that efforts at regulatory capture do not heighten the potential for conflict by creating regulatory vacuums, and that the emergent systems of local level economic governance are not simply ‘captured’ by narrow or elite interests. Finally, these efforts to capture and harness existing systems of informal non-state based economic governance ought to be tempered by a careful assessment of the potentially regressive forms of power and authority (such as patriarchy or lineage), and violence, that sometimes underpin them.
- *Enable the formation and strengthening of business associations.* There is scope to consider how to facilitate the formation and strengthening of organisation to represent the interests of the

informally self-employed. Currently, existing organisations are small, relatively unorganised, geographically isolated, reactive and issue-based. Greater coherence and comprehensiveness in the organisation that represent the sector would benefit both those in the sector and the state officials tasked with its governance. Although state based actors are not optimally placed to engage with this activity, there is a need to consider how to facilitate a strengthening of organisations representing the needs, interests and perspectives of the informally self employed. There is much scope for civil society, and other non-state players in these tasks.

- *Encourage a greater awareness on the part of state based actors as to how the provision of services can disrupt the delicate livelihood ecologies within which economic informality occurs.* Infrastructure and housing provision is often strongly desired by beneficiaries and frequently represents a substantial improvement in their quality of life. Yet there is much scope to consider how these services could be provided in ways that avoid disrupting the social networks, access to working spaces and markets that many of the informally self-employed rely on. For example the physical housing stock provided under current urban housing programmes and spatial zoning regimes typically makes little provision for working or vending spaces: to the ultimate detriment of informal economic activities. Sensitive development would therefore balance the provision of infrastructure with preservation of the narrow niches the informally self-employed often occupy in their livelihood generating activities.
- *Carefully examine the pros and cons of alternate forms of institutional arrangements for informal self-employment such as co-operatives.* While co-operatives are a modality which currently enjoys great policy traction for organising and supporting those in the informal sector, use of this institutional form ought to be tempered by careful consideration of the potential disadvantages of co-operatives, including their demands for managerial sophistication and transaction costs. Many of the disadvantages of co-ops are further magnified by the demands of running a production co-operative in a resource poor context where demands for income are pressing and persistent.
- *Re-examine the divide between business support and financing, in enterprise support services.* Many recipients of enterprise support found the divide between business support and financing somewhat counter intuitive, it made the resulting services more difficult to use than they could have been. There appears to be scope to bring (non-financial) business support and financial support (microcredit and credit) into closer alignment, even if these functions continue to be provided by different entities.
- *Remedy existing capacity problems constraining current systems of enterprise support.* The research suggests that levels of personnel and resources to which enterprise support services have access are relatively unevenly distributed and patchy even across the relative small selection of research sites. As these services have the capacity to support higher and more lucrative levels of informal self-employment the considerable potential benefit of their provision, needs to be balanced with the cost to the state.

- *Remedy some of the mismatches, gaps and areas of duplications in existing systems of enterprise support.* There is scope to consider how to remediate the mismatches and areas of duplications in enterprise support services directed towards the informally self-employed. These include, but not limited to, the mismatch between the nationally and provincially provided enterprise support services, both in terms of policies and resources. Closely related to this is the need for better co-ordination between these services.
- *Prioritise support for business support services at local level.* Local government is the optimal scale for SMME enterprise support and LED interventions. Yet despite this, much local government, especially smaller rural local municipalities, are under capacitated and relatively ineffectual at supporting local enterprises and economic development. There continues to be scope to consider how to support local municipalities to think and act beyond the regulation of street trading, in their responses to the informal sector.
- *Encourage meaningful local participation in enterprise support and LED initiatives.* State officials at local government level ought to be firmly encouraged to ensure meaningful public participation of the informally self-employed in local economic and spatial planning. In addition, LED and traders forums need to not only be established and also sustained over time. This will provide a conduit for on-going dialogue between those in the informal sector and local officials tasked with its administration.

8.4 Human development and welfare enhancing interventions

In cases where the informally self-employed are vulnerable, marginalised and marked by poverty, their survivalist orientation and the small scale of their activities typically place them below the threshold of traditional enterprise services. In these cases the following human development and welfare enhancing interventions, which seek to mitigate vulnerability, support human capital acquisition and break cycles of low returns to activities and assets, are appropriate policy responses.

- *Recognise the limits of enterprise support for the small scale, survivalists and target them with appropriately differentiated interventions.* There is a need to recognise that for the smallest and most vulnerable of the survivalist self-employed there are limited points of influence using the traditional levers of enterprise support. Instead interventions which recognise and target them as vulnerable, workers, citizens or potential beneficiaries of social protection, represent the most optimal of policy interventions.
- *Recognise that those working in the informal sector are also 'workers' and may be reached by workplace protections.* There are substantial limitations to viewing the informally self-employed as entirely distinct from those in the formal sector. This is due to the fact that there are strong production linkages between the two sectors; many individuals churn between formal and informal sector employment; and many in the formal sector work under precarious conditions largely indistinguishable from those in the informal sector. For these reasons, those in the

informal sector ought to be viewed and treated as ‘workers’, and as far as practicable employment protections extended to those in the informal sector. This can be done incrementally first reaching groups of workers who are easier to access, such as those casually employed in the construction or minibus taxi industry.

- *Examine the possibility of extending work-based socialised entitlements to informal sector workers.* Despite the difficulties involved, consideration ought to be devoted to extending work based social entitlements such as unemployment insurance, death, disability and maternity benefits to those in the informal sector. These socialised entitlements will then better cover those who churn between the formal and informal sector. Significantly, similar interventions such as extending minimum wage and unemployment insurance to domestic workers have met with a relatively high degree of compliance and success (Altman, 2008).
- *Recognise the important role of the social wage in supporting the small scale informally self-employed.* Policy makers and officials ought to be encouraged to think beyond the dichotomy of ‘welfare’ versus ‘self-employment’, and acknowledge the manner in which the existing social wage and systems of social protection are particularly effective at reaching the small scale survivalists and mitigating their vulnerability.
- *Recognise that many of the small scale self-employed are social grant recipients, and that social grants income is crucial to their economic activities.* Policy makers ought to be encouraged to recognise the manner in which social grants are used to fund or capitalise small scale survivalist self-employment. Many impoverished and economically marginalised grant recipients leverage their state cash transfers into low levels of productive economic activity, thereby increasingly aggregating individual and household welfare. This process is greatly facilitated by factors such as the unconditional and cash based nature of existing transfers. Proposals for conditional cash transfers, vouches, etc. need to be viewed cautiously, as they are likely to erode the scope of these small scale survivalists to leverage their grant income in these livelihood-supporting ways.
- *Maintain a focus on safety and security.* The informally self-employed are particularly vulnerable to crime, and the fear of crime is a crucial factor shaping individuals reluctance to engage with self-employment. Improvements in safety and security are potentially effective ways of supporting the informally self-employed. This can be accomplished through an array of means including effective policing, supporting efforts to build or sustain social cohesion and constructing appropriate physical urban environments (with, for example, suitable storage, lighting and a measure of passive surveillance),
- *Recognise the existence of particularly vulnerable social groups (such as women and non-South African citizens) and consider targeting them.* Informally self-employed women ought to be recognised as especially vulnerable and in need of targeted assistance. Not only do women generally have less access to capital than men, they typically need to balance their activity with domestic demands. Similarly there is evidence of foreign traders being subject to xenophobic

attitudes and actions from both the general public and officials. These specific vulnerabilities need to be recognised and the focus of appropriate action in policy and practice.

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Appendix 1 Qualitative case studies

Elim district (Limpopo province)

Maurice (Spaza shop operator)

A genial man in his thirties, Maurice ran a small spaza shop but had aspirations to study agriculture at a local FET college. In addition to running his store, he was completing his matric. He hoped to study agriculture and engage in farming (within the district) once he completed all his studies. Married with two young children, Maurice's wife (also matriculated) worked as a domestic worker in the district in order to diversify their income streams. She was uninvolved in the modest spaza shop. Their two children (aged 1 and 5 years) were usually looked after by Maurice's mother in law during the day. The spaza shop was reportedly relatively unremunerative, averaging a profit of R500 per month. This was augmented by Maurice's wife's monthly wages (R800) and the R500 worth of child support grants they receive.

In terms of the spaza shop, it was opened by Maurice in 2006, and sold basic consumables such as bread, chips, sweets, raw fish and cell-phone airtime. He also had a public phone on the premises. When asked, Maurice readily accounted for his economic activity in terms of his passion for it and 'love for people'. His self-presentation exuded an air of dignity and respectability which perhaps belied his relatively young age. He readily explained how he served on different committees of his Pentecostal church, but had subsequently downscaled his involvement in order to devote attention to the spaza shop. In terms of his employment history, he had worked a number of menial yet formal sector jobs, including time as a labourer for Coca-Cola and at a supermarket in Louis Trichardt until 2005. His affability and willingness to learn saw him progress from a labourer to an informal (viz. unqualified) 'electrician' in the supermarket. Maurice explained he would have preferred employment in the formal sector, but after he lost his employment in 2008 he opted to open his modest spaza shop. Although it is well located, he readily conceded that he competed with at least four other spaza shops in the surrounding area.

His customers lived in the surrounding peri-urban village, including, particularly a settlement named Shele. A major competitive strength he enjoyed was the prime location of his enterprise alongside a by-road. Maurice sourced much of his stock from nearby Louis Trichardt, to which he travelled at least daily (sometimes twice daily) at R8 per trip. He purchased items for resale from various shops, bread at the local SPAR Supermarket (when busy he purchased over 20 loaves daily). Although he ran the shop largely single handed, he got the teenage children of his relatives to help tend it during his daily absences. He routinely gave them a 'reward' R10 for two hours for their efforts.

When pressed, Maurice estimated he had about '400' customers a day (and although his was a busy spaza shop, this seemed to be an overestimate). He estimated his daily net income to have been R250 (therefore monthly turnover in the region of R7500), but with profit at R500 per month. In addition he extended a fair amount of credit: he gave a cumulative monthly amount of up to R600 (which he reported having no

problem collecting). Maurice was unable to explain his relative success at collecting debt. Furthermore as his account of the modest enterprises profitability was not internally consistent, they were perhaps overstated (contrary to the more common tendency to underestimate or understate profitability).

Maurice used a bank account for savings (which he explained was 'for the spaza'). Along with his agricultural ambitions, he (perhaps in response to the interview questioning) articulated an aspiration to build a formal shop. He had identified sourcing vending machines for airtime and prepaid electricity as key resources. With regards to the right to trade he readily indicated that he had no 'license', but wished to obtain one. As part of his agrarian ambitions he was well versed in the local co-op initiative (which is predominantly agricultural production focused) and extolled the virtues of their cheapness to register (although it is unclear how this would benefit him).

Aubrey (Spaza shop operator)

In his thirties, Aubrey was unmarried with a fiancé and child. He lived with his parents, and ran a small spaza shop in the village (his fiancée lived with her mother, in an adjacent village). With an employment history as a clerk, and informal employment in jobs such as gardening and working at a carwash, he saved some income and opened his spaza shop in 2009. He sold the usual food stuffs and consumables (bread, chips, eggs, airtime, and paraffin) and had a cell phone based public phone handset. His customers were the surrounding community, along with staff and students at the local college. He established his spaza shop (despite describing it in the philanthropic term, 'to help the community'), during a period of erratic and poorly remunerated informal employment.

Aubrey was resident at his parent's house, living with his mother and two sisters (one schooling; the other at college), and he estimated he contributed between R250 to R300 to the household income, and R150 to his fiancé for their child. His mother also brought in income from a community project of approximately R500. Although he expressed a desire to accrue sufficient resources to establish a household of his own, this ambition was tempered by the fact that his income was relatively constrained.

Aubrey ran the spaza shop by himself, but his distant (non-resident) brother and sister helped him for which he rewarded them with 'lunch money'. He sourced his stock at Louis Trichardt wholesalers, using buses and taxis for transport. While the bus cost R15 return, a taxi cost double that sum; with low margins, he tried scrupulously to catch the bus. He did stocking every Friday and Monday, and estimated a profitability of approximately R1600 a month, but tempered this by indicating he frequently made far less.

There was a discernable spike in his sales on state pension payout days. Aubrey did not give much credit, only to social grant recipients on days immediately preceding the grant pay-out. He also kept no financial records (seemingly relying on his memory to recall the debt he was owed). Although his enterprise was not lucrative, and there were a number of other spaza shops in the general locale, they were relatively distant. His right to trade in the village was secured verbally from the local tribal authority. Although, in

response to the interviewer questioning he articulated a desire to eventually own a shop at a mall in the local town, his enterprise and focus appeared decidedly more modest and survivalist at present. Significantly, he indicated that if he were offered a job, even a relatively modestly paying one, he would consider giving-up his spaza shop in order to take it. He understood the regularity of the resource flow associated with (more formal) employment, and desired it.

Alina, Maria and Salminah (Fruit and vegetable hawkers)

This enterprise consisted of a group of three busy female fruit and vegetable hawkers who occupied a prime location at the busy Elim taxi rank. Sourcing much of their produce from the local farmers (via intermediaries) along with purchases from formal shops, they sold a seasonal combination of bananas and avocado pears, alongside the staples of potatoes, tomatoes and onions. Although they vended from what appeared to be a public taxi rank (controlled by the local municipality), they describe their modest scrap, corrugated-iron and wood stall as privately owned. They readily explained that they neither had (nor required) a licence or approval from any local authority. For the use of the roughly hewn, un-weatherproofed stall they paid the ‘owner’ a sum of R40 monthly, and had occupied their current position for several years.

Profit margins could be solid, with a crate of avocados at R40, turning R80 in sales (100% profit). The repackaged quantities of seasonal products were affordable to the passing, working class market (for example a packet of six avocado pears costs R10). Bananas costing R50 a box sold at R80, generating R30 profit. The women had a clear sense of the profit margins of the various items of fresh produce, but explained that the profit margins shifted with the seasonal repricing of stock (for instance, tomatoes easily shifted from R75 to R95 a crate over the course of several weeks). Furthermore the three stall holders consumed items from their stalls, particularly when they face the prospect of the produce becoming over-ripe. As a group, they appeared relatively candid, and estimated that with the solid volumes they made anything from a paltry R20 to a more solid R100 per day (on a good day). Although there was stiff competition from other fruit and vegetable hawkers, they argued that through working long hours they could make a profit. They also worked synergistically (with somebody always available to tend the stall, even when the others went off to source more stock or run other errands). Pricing and deciding on the package sizes of the agglomerated products were issues they carefully discussed amongst themselves. Although the three vendors pooled their costs and profits, they were reluctant or unable to explain this in detail. They appeared to strive to ensure they put commensurate amounts of operating capital into the enterprise, and extract similar levels of income out of it. As with many small enterprises, it was difficult to isolate and readily quantify ‘profit’.

In terms of the history of their enterprise, the three women used as seed capital the social grants income they had received or had access to (this included the state old age grant of one of their parents, and their accumulated child support grants). Grant income was still occasionally used as operating capital to source more stock, and in anticipation of the payment of their grants they would divert the sum that they would normally save to restock on consumptive items. Grant income therefore became a fungible ‘operating capital’ for their enterprise.

The women explained their reliance on hawking, with recourse to their poverty, and highlighted that they were the principal breadwinners for each of their households. They reported no significant associational life (they belong to no hawkers association, etc.) and had no training in business. However their personal histories indicated each to have previously engaged in petty retail.

Fifty three year old Alina was a widow with three children, the youngest of whom was still attending school. She had previously sold *vetkoek* (fried buns) and fried fish from the taxi rank, which was a well supported enterprise but constrained by the cost of fuel and cooking oil. Disinclined to speak extensively about her home environment, she indicated she was the sole breadwinner, but was sometimes assisted by her older children. She described herself as relatively atomised in terms of kin relations, and unsupported by the rest of the extended family.

The second woman was Maria, a married woman in her late thirties with four sons (16; 13; 10 and 3 years old). Her middle-aged husband was poorly employed as a labourer with some 'Indian' shopkeepers. She thought her contribution to the household was higher than that of her husband, she emphasises that they are highly reliant on the three child support grants (received for the youngest boys) to satisfy the need for schooling related expenses such as school clothes and shoes. Maria had a 'standard 8' (viz. grade 10) and had previously sold manufactured goods on a consignment basis including plates, tables, chairs and Tupperware. She had given this up because of the cost involved and her difficulty in collecting debt from her customers. She thought the relatively credit-free nature of fruit and vegetable retail had a distinct advantage when retailing to an impoverished clientele. This, despite the fact that the previous, higher value, durable goods she sold carried higher profit margins.

Finally, 39 year old Salminah had four children, and was separated from her partner. Her children included a 21 year old daughter (studying via Unisa), and three schooling children (an 18 year old daughter, 11 year old son and nine year old daughter). She relied on her income from hawking, two child support grants and an erratic sum (perhaps R200) from the father of her children. Salminah had a comparatively low Standard 7 education, and had previously generated income by selling food items (sweets, chips, *atcha*, apples, and oranges) at a local school. She found the money from fruit and vegetable hawking more lucrative than what she earned selling foodstuffs at the school. Finally she described her extended family as relatively unhelpful, and preferred not to ask them for help. The oldest daughter looked after the younger siblings, enabling Salminah to work.

Mavis and Nancy (Dressmakers)

Somewhat sombre Mavis and ebullient Nancy operated from a stall at the Elim taxi rank, where they sewed and sold dresses. Relatively new, they began their business in November 2009. They sold largely to commuters, but also occasionally attract the custom of passing tourists. They made both religious (Christian congregational) uniforms, and traditional dresses in the Venda and Shangaan style. These garments had the advantage of not being subject to the Asian sourced imports of regular apparel. They were both trained at a public institution (a project called Marongwa) in Njelele for six months, but

received no formal accreditation (the trainers apparently left abruptly at the conclusion of the course). They had neither registered their business, nor approached one of the local enterprise support bodies (LIBSA OR SETA) for assistance. They did indicate though, that they obtained (a rather large) start up loan of R30 000 from a *mashonisa* (informal loan shark), of which they had repaid R3900 to date. Their indication that they repay R800 or a minimum monthly sum of R500 seemed inconsistent with the scale of repayments *mashonisa* typically demand.

The women sourced their material at a large fabric retailer in Louis Trichardt, to which they travelled via taxi (R20 return). The material they use was comparatively inexpensive. A skirt selling at R80 may return close to R60 profit, while a 'traditional dress' retailing at R200 contained a modest R30 of material (the profit of R170 paid for the detailed sewing work). They were adamant about asking for a 50% deposit for all orders. 'No-deposit, no-order, no-business' they chortled in unison. The women estimated their collective profit at the busy seasons of December and Easter (school holidays and urban dwellers returning home, mean many traditional ceremonies and marriages are conducted) at between R500 to R1000. They indicated that they simply shared the profit. This sum also excluded a final cost, the rent paid to the owner of the stall (R150 per month), and included the electricity required to run their sewing machines. The two dressmakers brought their own plastic chairs and table to the stall.

Although there were a total of six dressmakers in the immediate environs of the taxi rank, the women denied that they competed against each other. They indicated that they frequently referred customers between each other. They calibrated these referrals according to how busy they were, along with their sense of who could best produce what the customer wanted.

The two dressmakers were of different ages. The younger woman, Mavis was in her early thirties, and was a single mother to three children (the eldest 12, the youngest 4 years old). She lived with her mother, and four siblings (two of her adult siblings were unemployed; her youngest sibling was still schooling. Her mother was head of the household, which relied on her deceased father's formal sector pension for its subsistence. Mavis met Nancy at the sewing course, before they decided to go into business together.

42 year old Nancy was divorced with three children. The eldest worked as a nurse, the younger two teenagers were still in school. The younger children were overseen by Nancy's sister during the day after school. With a large number of siblings, some of who were employed (mechanic, policeman), Nancy subsisted on a variety of resources. These included money from her various siblings and pension-receiving parents, the child-support grants her children received and the proceeds of her sewing. Although she was far from affluent, the exuberant Nancy gave the impression of being embedded in an extended network of familial support.

David (Bee and crop farmer)

Late middle-aged David was socially confident and candid, and was interviewed on his temporary plot on a land reform project farm, approximately 10km from Elim and adjacent to a township. He was moderately resourced (he had a bakkie), and occupied the sole residence on this section of the farm, behind it a fenced off garden and maize field. His modest (mud-walled) home was unusually far way from the main cluster of structures adjacent to the road. He explained that he had a residential site on a proposed RDP development in the local township, but preferred to live at his current site to engage in agricultural production.

David had three main sources of livelihood: subsistence agricultural production (predominantly maize), a market-orientated vegetable market garden, and bee-keeping. In addition he earned a modest wage for managing the orchard of the land reform project (of which he is a project beneficiary). He likened the return from his bee-keeping to that of the vegetable production, and highlighted their obvious synergy (pollination of the vegetables and orchard).

He became involved in bee-keeping when a ‘bee-foundation’ from Cape Town, interested in land reform beneficiaries, recruited them. The foundation offered training and supplied 10 boxes, and other essential equipment (protective gear, etc.). As the farm had numerous blue-gum trees, it was well suited to bees. David found the bee-keeping activity particularly favourable because it required relatively little time and effort (apart from the regular checks of the hives for dampness and ants). While some of his hive boxes had been stolen in the past, at the time of the interview he had 21 boxes (having been supplied with more boxes). Harvesting took place two or three times a year, and required the help of his wife and one other individual (he harvested, while the next individual held the bucket into which the hive’s frame was put, and the third operated the smoker).

The ‘bee-foundation’ had closed down, but the ARC (Agricultural Research Council) took over David explained. He had since received additional training (this time in business skills and the technical task of assembling the bee-hives). Although he normally cleared the frames of honey with a sieve, he had been visited by the ARC with a manual centrifuge in the past. In 2009 he sold 500 bottles (a total turnover of R16500, excluding his costs such as bottles and labels). He sold both locally, and further afield (David’s cousin took bottles back to Gauteng and sold them on his behalf).

David’s enterprise had been supported by the agricultural extension service from the ARC, as they provided material for the hive boxes, training and the promise of further assistance with marketing. With their encouragement David tried to produce cough syrup (honey, propolis and a little cheap brandy), and had been thinking about producing candles and plastic honey filled straws as sweets for local school children. The agricultural support service assisted setting up a bee-keeping co-operative. Despite the fact that it had an unwieldy and large number of members, all of the locally resident ARC trained bee-keepers belonged to it. David aspired to build up to a manageable portfolio of 50 boxes. These were supplied unassembled by the project, making him disinclined to assemble them himself. He thought bee-keeping to

be relatively uncomplicated and was critical of the disinclination (in his words ‘laziness’) of many of the other land reform project beneficiaries on the farm, who did nothing productive with the land.

David lives with his wife and four ‘grown-up’ children (one was working in Pretoria, another studying and the two teenagers were locally resident in the village). In terms of his employment history he worked as a policeman from 1980 to 2002 all over the country (Hillbrow, Port Elizabeth, Randburg, and Messina) until being injured in a car accident. After a year-long recuperation, he left the SAP with a pension and joined the land claimants group. David readily described his life as better than when he was a policeman, despite the contestation amongst the land reform recipients on the farm and its mixed successes in maintaining the erstwhile levels of agricultural production in a project beset with various problems (for example large numbers of beneficiaries and relatively patchy agricultural support).

Freddy (Chicken farmer)

53 year old Freddy occupied a plot strategically close to an intersection on the main Louis Trichardt - Elim road. His plot consisted of a cluster of buildings including a chicken-battery, from which he made a comfortable living selling chickens. Starting his enterprise in 2003, he built the moderately large chicken-battery (approximately 25 meters long) himself. Freddy bought batches of day old chicks reared them and sold them after six weeks. He typically raised 400 chickens, but raised this number to 1000 before the busy Christmas season.

His clients were local people who mostly purchased live chickens for their own consumption (hawkers only bought from him at Christmas time), at R45 each. There was competition in the chicken trade within the larger district. Although some of these competitors were cheaper than him, Freddy’s competitive advantage was his proximity to a number of settlements. This saved his customers the expense of travel, and they still paid less than they would at the supermarket in the local town. Freddy was dismissive of extending credit to customers, viewing it as very difficult to collect.

Freddy had three employees in his moderately intensive enterprise. Reluctant to discuss profit Freddy initially denied that he made any (despite the fact that the scale of his enterprise was amongst the largest in the sample of cases studies). Response to further inquiry into the economics of Freddy’s chicken production revealed the following: After paying for the day old chicks, medication, electricity (for the heater) and feed, gross margins on a batch of 400 birds can approach R9000. Annualised at five batches per year, gross margins are over R50 000. The existence of a strong local demand is a crucial part of the chicken-battery based production. This is because the economics of chicken production are finely balanced: keeping fowls fed on commercial feed after their six week maturation, rapidly consumes any potential profits.

Freddy reported having little contact with the state or state funded organisations. He had not tried to source any assistance for his enterprise even from the state because ‘they need a group of people’. He was vague on tax registration, but indicated he had issued IRP5s for his employees and paid a bookkeeper a small monthly sum to maintain his records. He gave the impression of being very casual and unsystematic

in relation to bookkeeping. Freddy had previous cordial interactions with the local headman (traditional authority).

Freddy was locally resident with his wife and eight children (three of whom were married adults; five at school). His homestead was within sight of his roadside compound, a few minutes drive, or a longer walk, away. None of his children were casually involved in the business and the household consumed relatively moderate levels of chicken as 'off-take'. Yet despite this Freddy was reluctant to draw full time family labour into the enterprise, he preferred hiring employees, while his children schooled and then grappled with urban based labour markets.

Although Freddy had no formal training in business or chicken production, his employment history revealed the antecedents of this choice of enterprise. Freddie worked in Johannesburg from the late 1970s to late 1980s as a driver for a chicken producer. In this time he learnt the trade from informally observing and talking to other workers (he never actually was involved in tending the chickens). This job also provided him with the initial capital injection from his provident fund pay-out. Even during his time working in Johannesburg his family were locally resident and maintained the (food) 'garden'. Moderately resourced, he had a light truck (essentially for hauling chicken feed) and augmented his broiler business by selling firewood (cut by others elsewhere).

Raphulu (Cattle farmer, butcher shop, and 'eating house' owner)

A spritely man in his sixties, Raphulu lived in Limpopo village and owned a cluster of buildings adjacent to the main feeder road outside Elim. Enclosed by a high wall with a parking lot, the buildings included a large butchery, an informal abattoir and 'eating place' (a cavernous room with rudimentary furniture, which served a limited selection of meals and alcohol). The enterprise had recently benefited from the extension of the tarred feeder road to a national highway, which resulted in a commensurate increase in traffic. Raphulu and his family engaged in a number of additional business activities including the rearing of cattle (he has approximately 90 head grazing on both communal and leased land) and goats (roughly 20), along with the transporting of sand (with two tipper trucks he owned) and concrete block making (using the river sand). Rapulu's wife and daughter were integral to these enterprises, and assisted with running the abattoir and butchery on a full time basis.

In terms of his enterprises, Rapulu's butchery was started in 2002/2003 and was in the name of his wife (they reasoned she would be better placed to secure state support, but none had been offered). Although he bought in pre-packaged chicken to sell from his butchery, Rapulu's core focus was beef. Rapulu's cattle production, abattoir, butchery and 'eating house' were vertically integrated (livestock reared, slaughtered, retailed and/or cooked). Yet the situation was slightly more complex than this picture of a tidy value chain suggests. Many of the cattle slaughtered in the abattoir (which served only him) were purchased by Rapulu externally either from locals (i.e. African smallholder farmers) or at commercial auctions (largely from white commercial farmers). Commensurately, Raphulu sold many of his better quality cattle on auction rather than slaughtering and retailing them himself. Raphulu explained this

apparent contradiction (selling his own cattle, buying in others) by describing how the local market was highly price sensitive and therefore required a 'lower quality' meat. He explained: "You see the people from here are not able to see the difference. They think meat is meat". With Rapulu having previously invested in a Bonsmara bull and heifer to improve his herd, his better quality meat would simply not fetch an appropriate price locally.

Rapulu slaughtered approximately one beast a week (costing R5000-R6000 if purchased on auction), annually 10-15 of the cattle slaughtered were his own, and furthermore he sold 16 of his cattle at the commercial auction in 2009. Rapulu complained his profitability was undermined by the high monthly costs he incurs including: electricity (for refrigeration) of R1900, R500 a trip for livestock transport from the auction, (a fixed price for one to four cattle, cleaning consumables, etc.) and a paltry license fee (it was unclear precisely who he paid this to for his seemingly unregistered informal abattoir). He summed up his profitability by explaining that if he bought a head of cattle for R5000, it made approximately R1500 profit (from which his other enterprise costs needed to be met). Alongside the beef he estimated he sold 10 boxes of chicken per month. A rough estimate gave him a gross annual margin of R41 000 on the butchery (this excluded his costs such as his wife and daughter's wages), and R56 000 from livestock sales on auction.

In terms of his employment history Raphulu grew up in the district, he and his family were forcibly removed from an adjacent farm when he was a child. He later migrated to Gauteng, and worked as a bus driver for twenty years until returning with a retrenchment package to the district in the early 1990s. With his accrued capital, and experience as a driver, he started a haulage business. It was at this point that he acquired his current business site (for a sum of R12000). With the savings from his haulage business he was able to open the abattoir and butchery. Construction led to a detour into block ('brick') making, including the acquisition of the block-making machine. He made the bricks himself with family and hired labour (he hired a builder for the more skilled work of construction). He acquired much of the butchery and refrigeration equipment at auctions. Having never received any training, he was entirely self-taught in slaughtering and butchery skills. He did not think it was difficult to adequately master these skills.

Apart from his locally resident wife and daughter who worked in the enterprise, Raphulu had another adult daughter undergoing vocational training in Pretoria. Although she received a small stipend attached to her training, he continued to support her financially in anticipation of her potentially improved, formal employment prospects.

Diana (Dressmaker and fashion designer)

Diana was a confident but understated woman in her late 40s. She owned and ran a dressmaking and tailoring business in the heart of Elim, and described herself as a 'fashion designer'. She operated her business from a ground-level shop in Elim's 'old mall'. She rented the space for R760 per month. It was formerly the site of a Chicken Licken (one could still see the stools and the service counter), but she shared the space with a photocopy business which was operated by someone else. The area around the 'old mall' bustled. On the other side of the building was the town's main petrol station; there was also an

expansive gravel area which accommodated some parking, hundreds of traders, and a few handfuls of skilled artisans like Diana, mostly operating from small shacks. At the edge of the gravel area was the town's main taxi rank. Opposite the 'old mall' was a new, larger, and somewhat fancier development called the Huybeni Mall, which was opened in 2007.

Diana and her family resided in a 'bond-house' in the one part of the Elim/Shirley/Waterval complex which comprised a formal township, namely Waterval. She lived there with her husband, a policeman, and one of their three children. The husband's salary was the household's main source of income. Their other two children resided in Gauteng, where one was working and the other studying music. It was from their house in Waterval that Diana started her business in 1997. She moved to her current premises in 2004, largely to increase her visibility and thus assist with marketing.

Diana and her four employees (all of whom were women who had been with her for some years) designed and sewed a wide variety of garments, including traditional Venda robes, school uniforms, church uniforms (ZCC), evening clothes, and wedding gowns. The focus was on women's clothing; however they also mended men's clothes. Although there was a reasonable sample of the kinds of clothes they produced on display in their shop, Diana and her crew worked largely on orders, most of which appeared to be from the end-user. The stated reason was to do with money: Diana required a deposit from the client which is used to purchase the fabric, thus in the absence of orders she did not have the resources to proactively acquire the materials necessary to develop significant stock. However, it was likely that the reason also had to do with her business strategy, which was to cater to people's specific needs and produce high quality, rather than compete on price. Her market was the residents of the local community, although the traditional Venda robes were largely sold to foreign tourists.

In a typical month, Diana and her team would produce and sell roughly 40 items. These ranged from school uniforms which could go for as little as R55, to wedding gowns which typically fetched R450. In a typical month, furthermore, the operation grossed about R4000, but it tended to vary between R2700 and R5000. Diana paid her staff about R350 to R400 each per month; the reason it varied was by mutual agreement, whereby in good months the fee was higher and in poor months lower. Diana appeared to take home around R700 to R1000 per month, though it was difficult to know for certain.

Diana received modest support from her husband in the form of transporting her sewing machine (when it is in need of repair) to the repair technician in Makado town (formerly Louis Trichardt). However, she made this trip herself frequently enough in order to purchase fabric and other necessities, and for these trips she reported using public transport. Diana did not rely on her children for labour, nor had she in the past. Amusingly, if/when her own children needed, say, a school uniform, she would have it made in her shop but her husband would be expected to pay for it.

Diana had interacted with the Small Enterprise Development Association (SEDA), but establishing the exact nature of this interaction proved difficult. Diana was awaiting SEDA to share with her a business plan that it said it wished to produce on her behalf, and was also waiting for training (e.g. in book-

keeping). But it would appear that Diana's main interest was in accessing a loan with which she could purchase more sewing machines, for this she had been required to create a co-operative. The four other co-operative members included family members who were not materially involved in the business, and not her employees. This co-op was officially registered in 2009.

Diana was actively involved in the ANC Women's League and serves on NAFCOOC's (National African Chamber of Commerce) provincial executive. Diana saw her involvement in these organisations as a means of learning more about how the world works, but also potentially as a source of information about new markets. It was difficult to discern to what extent she relied or hoped to rely on members of these organisations to become clients.

Ultimately, Diana aspired to grow her business, employing more people and acquiring more machines. She anticipated that her dream would progress over the next several years. She did not perceive her current market to be significantly limited.

Khayelitsha (Western Cape Province)

Nongazi (Spaza shop, shebeen, braaied meat business operator)

Late middle-aged Nongazi and her partner ran three distinct enterprises in the large township of Khayelitsha. From the prime trading spot along a busy road close to the taxi rank, they operated a small shebeen (an unregistered bar) from the front room of their large shack. From a shack across the road (which they also owned), they ran a well-established spaza shop. Finally, in the late afternoon and over weekends they braaied (barbequed) and sold meat from the front of their spaza shop to passing pedestrians. Estimating the profitability of the enterprises was difficult, especially with high and regular levels of ‘off-take’ of food from the spaza shop. However in 2007 they had sufficient surplus to save weekly (R500 via a *stokvel*) and acquired assets such as a cheap second-hand bakkie (pick-up truck).

Running the three adjacent yet distinct enterprises required two to three people’s labour. In the past Nongazi’s children would return from school and prepare to braai the meat; they continued to do this as they aged into adulthood. Nongazi’s daughter routinely helped out at the spaza shop while Nongazi’s partner frequently tended the shebeen (he was close to its restrained, elderly clientele who were uninterested in pool tables or loud music). As her partner was neither long-standing, nor the father of the children, the enterprises and two properties were widely acknowledged to belong to Nongazi.

By 2009 this dynamic cluster of enterprises underwent a number of changes. Firstly Nongazi, like many unlicensed shebeen operators had long been accustomed to evading the attention of the police (by being discreet, controlling unruly patrons and keeping small quantities of alcohol), but law enforcement efforts had intensified over the last two years. Secondly, while Nongazi always had concerns about being a victim of crime she now lamented that one of her teenage sons had fallen into delinquency and petty crime. She was particularly apprehensive that he (and perhaps her property) would be subject to ‘people’s justice’ (vigilante attack). Thirdly, amidst the redevelopment of the local area (the demolition of the ubiquitous shacks and construction of low cost formal housing) the shebeen had to be downscaled and the operation of the spaza shop somewhat disrupted. The difficulties in continuing to run the shebeen, combined with the opportunities afforded by the new construction work, saw Nongazi’s partner abandon working within the household economy and become a casually employed plasterer.

The redevelopment of Nongazi’s section of the township necessitated other forms of strategising. Redevelopment entailed the upgrading of tenure (through the allocation of title deeds); in response to which Nongazi carefully strategized to overcome the prohibition on holding two title deeds. She summoned her married adult daughter from Gauteng, who signed for the title deed, before she returned to her home in Johannesburg.

In terms of her employment history Nongazi arrived in Cape Town in the mid 1980s, having previously worked in a store in Johannesburg. She lived with her sister and engaged in the dirty and un-lucrative work of selling ‘smilies’ (cooked sheep heads) for several months, before moving to Khayelitsha with its

first waves of resettled residents. She was readily able to draw on her prior experience of retail, and sold fruit, vegetables and beer from her shack to the construction workers building the first of the townships infrastructure. At this point she secured permission from the local street committee to move her fruit and veg stall (the nascent spaza shop) to the then vacant stand across the road, and started preparing cooked meat for the late afternoon passing trade from this location. The three businesses, running for over two decades, had clearly benefited from her experience of trade and her early acquisition of an attractive trading site.

Tenathi (Hardware and second hand furniture store operator)

Middle-aged Tenathi occupied a rambling double storey shack on a busy arterial route into Khayelitsha. She used the upstairs portion of her shack as her residence, while the street facing section of the ground floor contained a jumble of basic hardware supplies, second-hand building materials, furniture and clothes. At the back of the shack was a warren of rooms where sangomas (traditional healers) independently consult clients. Although they did not pay rent, their presence attracted potential customers and, perhaps, deterred criminals.

Tenathi sourced her hardware supplies from a range of wholesalers and stores in Cape Town: salvaged building materials (timber, windows and doors, roofing) from auctions, demolition yards or transport contractors, second hand furniture and general household goods (appliances, etc.) at auctions. However she was flexible and kept an eye open for new opportunities, so a range of novelty tune-playing Valentines Day mugs appeared amongst her goods one year, and later basic grocery items were stocked in response to the opportunity presented by the closure of an adjacent spaza shop. Synergies similarly exist with other businesses. Capitalising on the proximity of the sangomas, Tenathi also sold toiletry products (petroleum jelly, body-lotion, etc.) adulterated with special medicinal herbs. Similarly if Tenathi lacked a certain hardware item, she would direct clients to her father's smaller hardware stall across the road (and vice versa).

The pricing of goods and giving of credit was a complex matter. With hardware goods, the major task was to source tolerable quality amongst the cheap Eastern-produced offerings for the cost sensitive township customers. Tenathi often sourced single types of items (nails, locks, paint) from individual stores. With regards to auction goods, she bought old and solid goods cheaply and added a substantial margin (around 300%). The surrounding shacks, built from salvaged materials, routinely leaked and flooded in the Cape winter rains and were subject to the ever-present threat of devastating fires which saw their inhabitants disinclined to invest in good quality consumer durables.

In terms of credit Tenathi was careful to secure a deposit greater than her purchase price, and demonstrated little motivation to proactively collect outstanding debit. She therefore sought to profit, even if the customer defaulted. She also used price information strategically to affect arbitrage between the purchase and selling price of second hand goods. Prices were not recorded on items, but rather Tenathi proffered them in response to a 'potential buyers' queries. She explained she did this because her customers would offer substantially less than an indicated price, but the traders (who occasionally offered

her a complete bakkie ‘job lot’ to buy) would elevate their asking prices if they saw her margins. Estimating Tenathi’s profitability was difficult, but when pressed she ventured that her turnover was as high as R10 000 a month (although this seemed to be out of synch with her modest scale and may have been overstated).

By 2010 the redevelopment sweeping through this section of Khayelitsha precipitated a number of significant changes. Firstly Tenathi demolished her shack in anticipation of receiving a new concrete block house, but her neighbour (encroaching on her newly demarcated plot) was tardy in removing his shack. The resultant delay saw Tenathi live and vend her meagre selection of goods from a temporary, unweatherproofed one-roomed corrugated-iron shack. In addition Tenathi was preoccupied by the ‘calling’ (from the ancestors) she was receiving to become a sangoma. Finally, she foresaw a declining taste for the cheap, soiled consumer durables she had long sold amongst the aspirant new homeowners. Her relationship with the sangoma’s who previously also shared her space also changed. The head sangoma had died in a car accident and Tenathi was at pains to engage with rituals and propitiation (in part to demonstrate her lack of complicity in his death).

In terms of her history, recently widowed Tenathi arrived in Cape Town with a young infant in the 1980s. She initially sold sweets, and was sternly mentored by her father to plough profit back into the enterprise business. Like her father she started selling hardware materials from in-front of her own shack, before building up her present day stall in the 1990s. She proudly reported having never worked for an *umlungu* (white person). She apparently never secured a licence or permission from anybody to run her business. Furthermore although she had completed a six month long entrepreneurship course, she thought she had learnt the most from her father. Tenathi expressed a preference for a hardware stall to the spoilage associated with food vending or the diminutive margins of a spaza shop. Although she conceded the spectre of ‘jealousy’ hung around her (relatively) successful business, she explained she sought to control this by keeping a low profile and not ‘wandering around’.

In terms of her domestic arrangement, several of Tenathi’s children used to help out at the stall but they would often pocket the money. All but the eldest adult child were now living with relatives in the Eastern Cape. Tenathi reported not to have employees, but routinely paid a young kinswoman from her parent’s small sums to tend her stall. Finally as Tenathi’s business had operated in synergy with her father’s stall across the road, she had helped her parents rebuild their business when it burnt down. While her father is elderly and frail, her mother kept very busy sewing, beading and worked as a sangoma.

Neliswa (Dressmaker, shoe seller and healer)

Middle-aged widow Neliswa sewed traditional ‘German-print’ (a Javanese-style print on heavy blue cotton and a staple of customary Xhosa attire) for the traditional matrimonial market, and sold her wares from a stall at a taxi rank in Khayelitsha. Alongside her dresses she sold the other items of apparel that make up the dress of a married Xhosa *makoti* (headscarf, blanket, shawl, petticoat, etc.). In addition to this activity, Neliswa sold shoes in a more distant Cape Town township and engaged in early morning Zionist-Pentecostal healing rites at her Khayelitsha shack for ‘donations’.

Neliswa used her deceased husband’s formal workplace pension as capital to start selling clothes (purchased from adjacent KwaZulu-Natal), from her rural home in the rural Eastern Cape in the 1980s. In the 1990s she and her children came to Cape Town (initially for her to access medical care). She continued sourcing clothes for resale from distant Durban, while living with her sister. It was at this time that she completed an eight week long sewing course and started making the traditional apparel. German-print wear is unique in not being subject to the same Asian-sourced competition as other garments. During this time the monthly payments from her late husband’s work, were crucial in enabling her household to continue to subsist, while she paid course fees, travel costs and purchased a second hand sewing machine. In 2007 she estimated she made R1500 a month from sewing, a figure that rose sharply during the busy holiday periods of Easter and Christmas. Although 2009 was disrupted by extensive travel to the Eastern Cape (for family funerals and her son’s initiation rites), when she did work she routinely exceeded this figure. Opportunistically sourcing cheap, scrap fabric and stuffing she also innovated by making a batch of firm, well-stuffed bed pillows.

Apart from her sewing, Neliswa also capitalized on her knowledge of the shoe factories/importers in distant KwaZulu-Natal. On average she travelled five or six times per annum to Durban or Pietermaritzburg, buying up to R2000 worth of stock. By 2007 she also carried a large debtor’s book (worth about R4000) for shoes which she and her sister sold, in a more distant Cape Town township. She favoured this site, as it was easier to collect debt where she was unknown, because people ‘don’t come with stories’ (i.e. evade payment). She continued to do this into 2009, but found collecting debt a challenge and preferred selling for cash.

Despite the fact that she and her sister lived in adjacent shacks and had several children (some of whom were adults) Neliswa generally avoided using family labour within her enterprise. She paid a non-kin employee R600 month to tend the stall, while she often sewed at home. Non-kin employees, Neliswa explained, were not only more compliant, they were less inclined to neglect their responsibilities or pocket the proceeds from the stall than her daughters or nieces (a son would push the handcart to and from the stall, but selling dresses was a female vocation). While Neliswa would custom-make garments on request there was a sense of individual craftsmanship and fashion fair, with customers routinely referred between the rows of dressmaker stalls at the taxi rank. Paying a nominal rent for her crude, open fronted stall, Neliswa attributed the lack of crime at the site to the presence of the taxi rank. She indicated the taxi association not only deterred criminals they could also adjudicate disputes (with customers or employees) as necessary.

Marley (Fruit and vegetable seller)

In his late twenties, Rastafarian Marley worked long hours running a fruit and vegetable stall adjacent to a primary school in Khayelitsha. He was initially resident several streets away at his mother's house, but spent long hours at his vending shack (it had a rudimentary bed and cooking facilities). By 2009 he had purchased a shack of his own. Marley supported a girlfriend and young child who live elsewhere.

To source stock Marley relied both on middle-men dropping by to offer stock, but also used his unroadworthy car to travel to the municipal fresh produce market. The fruit and vegetable trade is highly seasonal and sales spike on the Friday payday, but Marley estimated he made up to R800 profit per week, or R3300 in a good month. Marley worked very long hours (sourcing stock before dawn, and closing well in the evenings to sell to commuters returning home). Despite this he ran the stall single-handed, and was generally disinclined to draw in kin (such as his brother) to tend the stall. He described his brother as somewhat unreliable. When Marley's car ran more reliably he could sometimes be induced to use it as a taxi, for special trips out of Khayelitsha; however Marley's fruit and vegetable business was his core focus, and crime and cash flow his recurrent concerns.

The diminutive Marley described how he and a competitor united to catch and beat up a notorious local thief in 2007. Marley had however attracted the attention of the police, because of the associations of Rastafarians with dagga (marijuana). He described himself as 'harassed' by a particular policeman (Marley had previously received court warnings and paid 'admission of guilt' fines for dagga possession). At the end of 2009 Marley was again arrested on his way home by the same policeman. Incarcerated overnight and then released without charge, Marley's abandoned car was ransacked of its valuable stock (Marley saw the policeman as complicit in this). Even worse, his very public arrest and detention, emboldened thieves to clear out his vending shack of all its contents (including the light bulbs, he remarked).

With regards to cash flow, in 2009 Marley purchased a second hand shack some distance away from his vending shack. He did this to secure greater independence from his mother (with whom he lived), but also in anticipation of the area eventually being upgraded to formal, low-cost housing. Owning a site would entitle him to a new house. He lamented the fact that the money diverted to purchase the shack meant he could not repair his decrepit car, which limited his ability to source stock, dampened his business and ultimately reduced his income. Marley agonized aloud over how to prioritise his limited income streams.

In terms of his employment history Marley had an unusually favourable history of educational attainment (matric from an elite working class urban school), and proffered a sophisticated analysis of his small enterprise (a high turnover, 'volume' businesses). After completing his secondary schooling, he worked in a similar fruit and vegetable business with other Rastafarians. By the time the partnership disintegrated, he saved up money to buy materials to build his vending shack and opened his current business. At the beginning of the research period Marley readily attributed his motivation and effort to the Rastafarian ethos of self-sufficiency. But by early 2010 he temporarily gave up his vending to work for a construction company. Intending to work for six months, he wished to save money to plough back into his fruit and

vegetable enterprise (to acquire a secure and respectable looking steel shipping container ('dirty looking' shacks being increasingly incompatible with the upgraded township). He only worked for a week. Not only did the affable Marley intensely dislike the experience of working for others without using his own initiative, he was ultimately stymied by the loss of his ID book (which prevented him from opening a bank account to receive his pay check).

Zenzi (Polony vendor)

A young, attractive, recently married Xhosa woman, Zenzi sold small packs of chips and pre-packaged polony at a busy railway station concourse alongside a new township shopping centre. Crowded with train and taxi commuters, the concourse is lined with vendors selling products including food, DVDs, herbal medicines, religious paraphernalia and clothes. Zenzi started hawking the small R2.50 rolls of polony in early 2007 after being drawn into the business by her neighbour. Zenzi bought R75 worth of polony (50 individual units) about three times a week, with each batch generating a R50 profit and sold as a take-away snack. She also sold a few small packets of chips (for a paltry R3 of profit for every 50 packs sold) largely because 'everybody else does so' and she did not want to lose potential customers who also wanted this. The lucrative polony was sourced in an industrial area of the city, accessed by train for a R27 weekly return ticket. The ubiquitous and marginally profitable chips were bought from a local township wholesaler. She typically tried to arrive early at the station to find one of the few positions under cover, and in close proximity to a security kiosk.

Zenzi arrived in Cape Town in 1999, after unsuccessfully seeking domestic work she looked after her child while her husband held a menial but solid formal sector job. Zenzi was introduced into selling polony by a close friend, neighbour and clanswoman. Her friend accrued savings to buy a R1000 second-hand fridge by the time she resigned as a domestic worker. Zenzi's friend also learnt where to source the special pre-packaged polony. This was a secret jealously guarded by the other vendors, and required persistent enquires and more than one failed foray into the industrial heartland of Cape Town. After first setting herself up selling polony, the friend mentored Zenzi (who borrowed R100 from her husband to buy stock). Zenzi's friend also allowed her to store stock in her fridge and they strategised on the optimal placement of their respective vending positions (using upturned milk crates as display stands). As the more dynamic and exuberant of the two women Zenzi's friend usually sold out of her polony first. Although she disavowed the idea that she did anything special, when pressed she described her repertoire of exaggerated friendliness when dealing with customers (i.e. hearty greeting, building rapport, playing with customer's children etc.). Zenzi's friend estimated them to each make between R200 to R300 a week (comfortably more than she did as a domestic worker). Although she had undoubtedly been an important benefactor to Zenzi, both of them selling polony allowed the women to pool their efforts and made it more difficult for potential competitors to enter.

The two women collaborated closely, typically taking turns sourcing the polony while the other tended both 'stalls'. Zenzi also tended her friend's stall when she went to buy the pre-packaged trays of fatty meat that she sold alongside her polony. A third woman, vending newspapers, looked after the polony when both women had to run errands; in return, they sold her newspapers in her absence. Zenzi's three

year old child was at a crèche, but as she and her friend worked into the rush hour return of the early evening, the child was either picked up by the neighbour's teenage children or Zenzi's husband. Finally the two women were members of a rotating stokvel (mutual savings society).

The women did not extend credit to customers, with the exception of the other vendors who sold from the station concourse and were paid at the end of each week by their employers. Both women continue to scrupulously avoid revealing the secret of where to source the polony, despite constant enquiries. Although Zenzi's friend was the innovator in the polony selling enterprise, they both readily understood that more competition would easily undercut their tidy polony profits. With regards to their prime selling position with security guards and the regular cleaning services, the women paid no rent for it, nor did they secure permission to trade there. When asked about her plans for the future, Zenzi explained that she had a friend who sold toys and novelty items in another part of Khayelitsha and that they contemplated sharing the source of their products, so they could both diversify their wares.

Zikhode (Taxi mechanic)

Gaunt and with the scarred face of a fighter, forty-five year old Zikhode was one of a small grouping of men who repaired and serviced vehicles (primarily Toyota Hi-Ace/Siyaya taxi minibuses) alongside a Khayelitsha taxi rank. They worked on a large concrete slab exposed to the weather and surrounded by a range of mostly automobile orientated, steel shipping container based enterprises (spare parts, panel beating, auto-electrician, etc.).

Although they shared some tools they effectively worked as individual contractors hired by the taxi owners (or their drivers). The informal mechanics had little discernable form of collective organization, and rather uncommonly, none of the collective savings (such as a stokvel) or risk sharing arrangements found amongst various occupational groups in the informal sector. This was an omission or absence of solidarity a (female) fieldworker ascribed to their gender. The individual mechanics did not specialize in particular jobs or components, and mainly undertook routine servicing and basic repairs. More complex mechanical repairs simply entailed the replacement of the larger components (engines, drive trains, gearboxes) with reconditioned units for the ubiquitous vehicles. Sourcing all parts was the responsibility of the clients (i.e. the mechanics simply provide labour). Earnings were highly variable, but a good day could see a man make R100 to R200. Zikhode appeared to be making enough money to engage in daily expenditure on hot lunches, and the regularly purchase of alcohol.

Zikhode and the mechanics extended little credit to their customers. They were also unaligned to the taxi associations which control individual ranks and routes, and amidst a period of association feuding (including the exchange of gunfire) they continued to work. Like most of the informal mechanics Zikhode was entirely self-taught, having learned by observation. He was concerned about his inability to work on a new generation of larger, more technologically complex vehicles being introduced under the auspices of the state's new Taxi Recapitalisation Programme. Not only was the vehicle's warranty tied to dealer-

servicing, conducting repairs required electronic diagnostic machinery. Zikhode desired training to secure accreditation, thereby enabling him to ‘get a job’ (i.e. secure a job in the formal sector).

Zikhode’s ambition to get a (formal) ‘job’, was much hampered by the fact that for much of 2009 he was imprisoned and awaited trial on hijacking/theft charges (accounts were contradictory). Visited in prison Zikhode insisted on his innocence and ascribed his arrest to a case of mistaken identity. Released from imprisonment in late 2009 (seemingly on bail, again accounts were unclear), regular meals and the absence of alcohol saw a healthy looking Zikhode return to work at the taxi rank. He however now saw the hand of ‘jealous’ neighbours in his recent incarceration.

In terms of his household, Zikhode lived with his parents and nine younger siblings, making limited and clearly delineated contributions to the household economy. He contributed to groceries but readily disavowed responsibility for his younger siblings. Absolved of independent living costs, and with relatively uncomplicated domestic arrangements, a fair proportion of Zikhode’s modest income was left to his own discretion. He had two children with an estranged partner; the children were living with his aunt in the rural Eastern Cape. His occasional visits to the Eastern Cape saw him put in a bit of work at the local taxi ranks there to maintain his income.

Radebe (Tinsmith).

State old age pension receiving Radebe lived by himself in Khayelitsha, but rather unusually supported a wife and family (with grown-up children) resident in the rural Eastern Cape. Radebe had a fairly marginal history of employment (farm based labour), but had taught himself tin-smithing. Manually (with hand tools alone) he dexterously fabricated items from tinplate, which were sold via employees at several sites. His utilitarian wares were extremely well-made and included specialized products such as large goat-sized cooking pots adapted from 44 gallon oil drums, and a range of utensils and strainers used for brewing traditional sorghum beer. His products were noteworthy for the fact that formal sector derived equivalents are either inaccessible or expensive.

Despite being a relatively lucrative and skilled niche manufacturing activity (he routinely remitted more than his entire unspent state old age pension home), Radebe faced a number of constraints. The first was his constant difficulty to secure workshop space. Amidst the redevelopment of the township (he was randomly selected to be relocated as part of the ‘de-densification’ of the shack settlement). His newly allocated, concrete block house was not only far flung and distant from viable vending points it was also amongst similarly relocated strangers. The new and unfamiliar neighbours were far less tolerant of the incessant noisy hammering from his home workshop, which they complained was an affront to their respectable new suburban homes. Radebe sought to solve this problem by building a rudimentary shelter alongside a busy arterial route from which to both work and vend, but the structure was soon demolished by the municipal authorities. By 2009, disinclined to over-invest, he built an even more rudimentary structure (of scrap wood, plastic sheeting and cardboard) elsewhere, and sought to concentrate his activities there.

A second major constraint was Radebe's difficulty sourcing the sheets of printed or coated metal he required (tin, zinc and aluminium sheeting). In the past, intermediaries (associated with a local development project) helped him source this material, a task he readily drew members of the research team into. However by 2007 it was apparent that the scrap tinfoil he coveted was increasingly scarce, amidst the rising efficiencies of industrial automation (less wastage) and formal tendering out of scrap metal collection by local canning companies. The canning companies were also increasingly disinclined to allow material emblazoned with corporate branding to enter the market place, and sully their 'brand equity' (as a company official explained). The difficulties of engaging with these sources of material were only exacerbated by Radebe's lack of English or Afrikaans language skills, his low levels of literacy and limited social confidence.

A third and final dynamic was Radebe's relationship with the three elderly women he routinely employed to sell his wares (for a low wage and with commission). Their relationship was fraught with mistrust and punctuated by his perennial accusations that they were swindling him. Over a period of several years they oscillated between falling out and reconciling with him. Their efforts were often constrained by the demands of vending alongside tasks such as caring for grandchildren. Selling on credit also required recording customer's details and accompanying them to their residential site (in order to verify their address).

Sibongile (Spaza shop, take away food, liquor seller)

Sibongile was a middle aged woman who ran a spaza-shop, which sold liquor and prepared take away foods from her large residential site in Khayelitsha. An early resident in Khayelitsha, she began the business with her then husband in the mid-1980s. They grew the business, and separated in the late 1980s. Well positioned and close to several schools, Sibongile's business made as much as R2000 profit per week. Sibongile also successfully funded the tertiary education of several grown-up children in the middle class professions of teaching and nursing. Although resident elsewhere, Sibongile's relationship with her husband was cordial, and until 2009 the 'takeaway' (i.e. not for consumption on the premises) liquor she sold was his. Sibongile hired a distant relative in the enterprise and paid him regular 'pocket money' but disavowed his employee status. Her household ate from the spaza shop, with high levels of food 'off-take'.

Sibongile's husband, from whom she had long been separated, made his livelihood by supplying several 'satellite' shebeens with liquor, using his battered bakkie (pick up truck). A sickly late middle aged man, with a much younger wife and small child, he also ran a shebeen from his own shack, a few kilometres away from Sibongile. Yet by 2009 running a shebeen was becoming an increasingly perilous undertaking. Not only had Sibongile's husband and his patrons been subject to a vicious armed robbery, strenuous efforts were being made to regulate the township liquor trade by the police. Sibongile's husband not only gave up supplying other shebeens, he began engaging in an elaborate ruse of enlisting multiple confederates to buy and transport the permissible amounts of alcohol.

Sibongile's enterprise also underwent a number of significant changes in 2009 due to flux, both personal and communal. After two decades of separation Sibongile and her husband formally divorced. This meant the comparatively large township property, occupied by Sibongile, was split between them (apparently the court rejected her request for alimony or maintenance). Sibongile's ex-husband was allocated the sprawling shack-structure house and shop she had previously occupied; Sibongile was allocated the adjacent site. She quickly harnessed a housing development grant and some accumulated savings to begin building. Although the impetus for concluding a divorce after the long separation were not entirely clear, it coincided with a state-driven effort to redevelop the shack settlement and hence formalize indistinct tenure arrangements. This physical reconfiguration of their property holdings precipitated substantial changes in the enterprises.

Sibongile previously saved a tidy sum (approximately R30 000) to extend her business, she diverted this sum to build a double storey shop and house. Meanwhile her ex-husband, having taken-over Sibongile's old spaza shop, had it overseen by a member of his extended family. However it proved marginal, and by 2010 Sibongile's ex-husband had let the shop out to Somali traders. Somali traders demonstrating high levels of retail prowess had steadily been taking over much of the township spaza shop trade. These developments placed Sibongile in a difficult position, as the formidable Somali traders were now competing alongside her (from her erstwhile business premises). In response, Sibongile refocused her efforts on producing cooked foods including her speciality, deep-fried dough buns ('vetkoek'). In the context of widespread hostility by incumbent spaza shop owners towards the ascending Somali traders, Sibongile was sanguine and their relationship co-operative. The Somali traders consumed her 'vetkoek' while she purchased flour in bulk from them.

Nosabatha (Welder)

Nosabatha was a 31 year old woman, who ran a successful small enterprise manufacturing burglar bars and security gates from the double garage of her township home. Her husband was a self-employed mechanic and panel beater. He had not only taught his wife to weld, he also drove her to sites to install her completed products. She reportedly installed her custom made products all over the larger Cape Town metropolitan area. Nosabatha relied on word of mouth referrals; along with her prominent working position (potential customers stopped to talk to her in the double garage, much like the researchers did). She sourced dimensional steel (rods, tubes, bars) in the adjacent working class suburb, but for large orders an industrial supplier delivered. Customers sometimes sourced the steel themselves to control costs, but could seldom negotiate with Nosabatha's trade discount.

Nosabatha's finished burglar bars and gates were either welded onto doors and window frames or bolted onto walls. Although she indicated she could arrange 'galvanizing' (industrially applied zinc coating for rust resistance), the township clientele neither requested nor would pay for this. Pricing was generally calculated on the basis of 'double gain' (i.e. 200% of the cost of the steel, added to the steel cost), with extra charges for transport to distant sites. Nosabatha articulated great enthusiasm indicating she would not give up her well established enterprise for a formal sector job, and that she made between R5000 to R10000 monthly profit.

Nosabatha and her husband had a number of savings instruments (including stokvels in which they invested R2000 per month), and a number of formal life insurance products. They generally transacted and paid their suppliers in cash, and never bought material on credit. Nosabatha typically demanded a 50% deposit and generally did not struggle to collect debt. She estimated customer defaults occurred only two to three times annually, often when a customer lost their job. In addition, Nosabatha would relax the deposit requirements under certain circumstances (e.g. a state employee who needed security bars after a burglary). In these cases she or her husband scrupulously vetted the potential customer (such as confirming that they were teachers at a local school). Customers were routinely warned that if left unpaid for the bars would be repossessed, but they seldom acted on this threat.

Nosabatha intermittently employed up to three men; a driver, a painter and a general helper. In addition she and her husband worked over the annual Christmas holiday when returning to the Eastern Cape. They received telephonic orders which they fabricated in Cape Town, but they also took the welding equipment and spare material back to their home village. They repaired vehicles and fabricated burglar bars in the un-electrified village by renting a generator to power the arc welder. Although a female welder sometimes elicits attention on account of its novelty value, Nosabatha vehemently argued woman made better welders because they were tidier than men.

In terms of her personal history, Nosabatha migrated to Cape Town from the rural Eastern Cape after completing her schooling in the late 1990s. She married and had two children in the early 2000s. Initially she was involved in a township beading project, but found it entailed too much work for the modest returns. After watching him work, she learnt to weld from her husband in 2002. Although she modestly claims to have only become very skilled by 2008, she was working independently within a month of being trained. At this time her mother in law would come to their house to look after her small children. At this time the children were school going and even without Nosabatha present they did not require much care in the afternoon. In 2009 Nosabatha sought out information about VAT registration and business training from the researchers, and by 2010 she enrolled in an entrepreneurship course. She aspired to run a formal business premises (on a specific busy township corner), sell steel to other welders and tend for large, state and corporate contracts.

Pelepele (Trailer fabricator / repairer)

Located in a low-cost, block-housing section of Khyayelitsha, Pelepele was both the name of an individual and his (manufacture, repair and rental) trailer enterprise. The business was conducted from a large open-sided corrugated iron shed, with the rest of the residential plot piled high with old trailers in various states of disrepair. Pelepele's trailers were fabricated from steel, with the ancillary components (springs, axles, wheels, tow hitches, taillights), purchased commercially. The resultant trailers were towed by a minibus taxi's along the 3000km return route between Cape Town and the rural Eastern Cape. Pelepele also rented out the occasional trailer (R500 for a trip to the Eastern Cape, or locally for R160 daily). Fridays were a particularly busy day for trailers with people travelling to the Eastern Cape for weekend ceremonies and funerals. In addition, there was a strong seasonal dynamic, with demand spiking during the busy holiday periods of Easter and Christmas.

The eponymous Pelepele was elusive and spent large portion of his working day away from the workshop, haggling with potential (taxi-owner) clients, sourcing materials and components or grappling with the bureaucracy of roadworthy tests, to get his finished products legally registered. The fabrication work was predominantly done by two casual employees, who were paid per job. The fabrication relied on handheld power-tools and an electric arc-welder, and seemed only moderately complicated (essentially welding together a frame, attaching a drawbar in front and suspension mounting points underneath). The completed trailers were commercially powder-coated (painted) to give them an appearance of a formally manufactured product. In addition to fabrication Pelepele also repaired trailers. Requiring a deposit if new components were required, many trailers remained uncollected by their owners, and were gradually cannibalised for spare parts.

Alongside the two young casual employees worked a middle aged man named Joseph. Formally trained as a sheet metal fabricator, Joseph shared the facilities and tools to produce his own products (welded household items such as, pot stands, TV brackets and burglar proofing). He did not compete directly by working on trailers and vehemently denied being their 'boss', although he mentors the younger men in the finer points of metal work.

In terms of the history of the enterprise, Pelepele was the son of the late founder. His father learnt to make trailers during his employment in the coach building industry two decades before, and ran the township business until his death several years ago. With a standard trailer selling for around R10 000, the profit potentially amounted to several thousand rand per unit. However the enterprise was in slow decline for a number of complex reasons.

Firstly, Pelepele explained that having upgraded to more expensive vehicles during the state's 'taxi recapitalization programme', taxi owners had less cash at their disposal. Related to this, many taxi owners complained that the mooted integrated transport system within the municipality was a threat to their long term sustainability. Secondly, Pelepele no longer enjoyed a virtual monopoly on trailer rentals and production, as others in the township now rented trailers out. Thirdly, attractively priced trailers (at around R7000) were being imported and sold through a national chain of mass discount stores. Although run by younger men, the trailer business took place alongside a large formal spaza shop owned by

Pelepele's mother. It was she who encouraged Joseph to keep an eye on her son's business, as she worried about its decline.

Vavile (Fruit and vegetable vendor)

Vavile was an elderly man who lived with his wife (several years his junior), an adult daughter, two grandchildren and disabled stepson in the urban township of Khayelitsha. In 2007 construction on their RDP-type house stalled for several years and it was left little more than an uncompleted shell. The household's living conditions were particularly abject as they occupied a dark and damp lean-to shack at the back of the partially constructed house.

Vavile married unusually late, had a comparatively unfavourable history of employment, and sparse asset holdings. During 2007 the household subsisted on the meagre wages of his domestic-worker wife, the small-scale vending of fruit and vegetables along with two social grants (stepson's disability grant; Vavile's social pension). In terms of his history, Vavile worked as a farmworker and casual construction-worker for most of his adult life, before he started vending fruit, vegetables, peanuts and loose cigarettes in his middle age, in the 1980s. Assisted by his wife, he sold these at a local train station for a decade (well into the 1990s). During this time his wife augmented their income with seasonal fruit-picking on the commercial fruit farms of the Western Cape. As Vavile aged and his wife's health deteriorated, they had given up the vending at the station, the early morning rising (to go to the fresh produce market) and long hours out in inclement weather having become increasingly intolerable. By the 2000s they began vending from a rough stall (cobbled together from scrap wood, iron and plastic sheeting), along a busy arterial route leading into Khayelitsha. Well positioned to sell to passing pedestrians, the wide road verge also enabled passing vehicles to easily stop. Alongside Vavile's stall were two others. He denied a competitive relationship existed between them and indicated that the vendors referred customers between the stalls as they often stocked different merchandise. They also jointly sought to protect themselves against the depredations of thieves.

By 2009 Vavile had avoided the expense and trouble of travelling to the distant fresh produce market, and instead bought his stock produce from a large wholesaler in Khayelitsha. He worked every weekday and on Saturday morning, with his adult daughter frequently taking over from him during the evening return rush. Estimating his profit to be R40 per day in 2007, he (rather cryptically) updated this to 'over R100 a week' in 2008. Quantifying profitability ought to be viewed with caution: Vavile was unsure, kept no written records, sold a shifting array of differently priced seasonal fruit, and the household consumed the perishable stock as they became too ripe to sell. Vavile indicated that he had no intention of expanding his fruit and veg stand, as all profit from the stand was ploughed back into buying groceries for the household.

The enterprise was also defined by the limits of elderly Vavile's energy. Although his adult daughter helped out, she was constrained by the demands of caring for her young children, and her own pregnancy related ill-health. The residence of Vavile's intellectually-impaired, disability grant receiving stepson was

inconsistent with cultural precedent, but his need for care (after the death of his maternal grandmother with whom he was previously living) and the resources of his grant facilitated this pragmatic arrangement. By 2009 the household successfully saved their grant income and mustered the labour required to complete their dwelling. They bought building materials such as concrete blocks and second hand roofing, and paid a skilled neighbour to do the work they were unable to do themselves. The completion of the house not only represented a marked improvement in the quality of their accommodation (against the wet Cape winter weather) it also represented a substantial investment in urban domesticity and respectability. Much of the household's subsequent saving and strategising went into the credit based purchase of various consumer durables and furniture, for the new home. These efforts underscored the multigenerational household's firm commitment to urban-based residence, as they had no rural homestead or livestock of their own. Vavile explained that his daughter would inherit the house from him, a house they built with the social grants and the fruit and veg selling. Vavile explained that they used the grants to build while they ate the proceeds from the stall.

Cynthia (Hairdresser)

With dual South African and Zimbabwean ancestry mid-thirties Cynthia and her sister ran two 'hair saloons' close to the Khayelitsha taxi rank. Contained in converted steel shipping containers, the sisters established the enterprises five years ago after moving from Zimbabwe as economic conditions deteriorated. Cynthia and her sister had formal hair dressing qualifications which they thought distinguished them very favourably from many of their local competitors. She proudly displayed a certificate for a province-wide hair styling competition she had recently won.

Cynthia first worked for a Congolese refugee, running a hairdressing salon before starting her own hair 'saloon'. She purchased her shipping container based salon from a Ghanaian hairdresser in late 2004 for the not inconsiderable sum of R10 000. She relied on accrued savings, and loans from several family and friends to fund the purchase, but was vague on the precise details. The converted shipping container was fitted with counters, large mirrors, and a hair washing basin and assorted posters and promotional material. Despite its professional appearance the steel container was extremely hot to work in during the mid-summer. Cynthia's consumables not only included a plethora of shampoos, conditioners, 'relaxers' and 'treatments', they also included synthetic hair, which would be woven as extensions into client's hair. Many of the more elaborate hairstyles on offer were complex, time consuming, and therefore relatively expensive to produce. These services ranged from 'cornrows' (taking 90 minutes, costing R150) and hair extensions (around R300), all the way to tight braids which could take several hours to create. In addition to the regular flow of customers who had their hair attended to, Cynthia sought to position herself as a wholesaler of a range of 'ethnic' (sic) hair care and synthetic hair extension products by vending them from her container. Alongside her, two hairdressers occupied another container she was renting and were paid commission for every client served.

With the 2008 xenophobic attacks still fresh in her memory, Cynthia described how their proximity to the taxi rank and the weekly 'cleaning' fee of R60 they paid to the local taxi association saw them protected by the taxi owners. She kept the business closed during the violence, but unlike many other

Zimbabwean's elsewhere in Khayelitsha her container was not looted. She did not think that the taxi association members were free of the xenophobic impulses of the other residents, but explained that as business was good around the taxi rank nobody wanted to disrupt it.

Cynthia sent regular remittances to their family (approximately R600 monthly, sent in the US dollar equivalent via Western Union to Zimbabwe). However her father was temporarily resident with her as he sought medical treatment in Cape Town. Cynthia readily understood that her personal appearance was bound up with her professional identity and explained she regularly spent money on costume jewellery, fashionable clothes and various hairstyles. A comparatively large expense for her was the solid house she and her sister rented at a middle income enclave within the township. Although comparatively expensive, Cynthia explained that it was difficult and tense living in the surrounding areas as she was not only a foreigner, but perceived to be comparatively wealthy. She therefore chose the expense and inconvenience of daily travel further afield.

Cynthia resisted requests by her clients to give them credit, and explained that it was extremely difficult to collect and resulted in quarrels. She extolled the virtues of 'foreigner's' work ethic and willingness to work long hours, and contrasted this to South Africans. She explained that she and her sister would like to one day return to Zimbabwe.

Simon (Cabinet / furniture maker)

Simon was a man in his early 30s who manufactured furniture (predominantly kitchen units and wardrobes) from his steel shipping container in Khayelitsha. He was a Nigerian, who came to SA in 2003 lived in Johannesburg for a year before moving to Cape Town. He had started a succession of small enterprises, including shoe repairs and hairdressing, before diversifying into cabinet making. He ran three hairdressing containers with employed staff, but after these were looted in the xenophobic violence of 2008 he consolidated his activities into cabinet making.

Simon manufactured cabinets and 'kitchen dressers' out of cheap fibreboard, he used to sell these for R1800 but more recently others were selling them for R1200 so he dropped his price. He explained he used to make things of better quality, but they were too expensive for his poor clientele. He therefore relented and used poorer quality board and fixtures to compete with the others (The equivalent items would be R3000 at a formal furniture store on instalment, he estimated). Simon had a sophisticated ability to explain his market and indicated that it would make sense for buyers to spend more on obtaining a durable product, yet the township market was so price sensitive all his customers looked at was price. He felt distinctly uncomfortable with the quality of his products.

In terms of his self-employment he began with shoe repairs but said it felt more like a hobby, done for low returns (R5 or R10 at a time). He lamented that the low returns were 'undignified' and it was an un-conducive profession to maintain into ones old age. The hairdressing business turned greater returns but required more staff (employed on a commission basis) and had made him vulnerable to the attacks of

2008. He had, by this time done a six month construction and carpentry course, before enrolling for a cabinet making course in 2006 at a Khayelitsha based training NGO. Although he paid a course fee of several hundred rand, it was heavily subsidized and good value at the price he said. While he readily conceded his skills were at best only average, he was rather critical of the other students and their work ethic. However although the carpentry and cabinet making have not proved to be as lucrative as he imagined, he was optimistic that the returns may increase in the future. When asked about his future aspirations he explained how he wanted to have a small company with employees, both making products and selling raw material (boards, fixtures, etc.) to others. He imagined retiring to his hometown of Akwe in Nigeria, although he now had two children with a local woman here.

His container-based business was looted during the xenophobic violence in 2008, in full sight of his neighbours. This was an extremely stressful time, and afterwards he was forced to sell his assets (including his old car) to repay his debt to people who had paid deposits and lay-buys for furniture. During this period he had people extort money from him too. He was circumspect about trusting anybody anymore he said. With regards to credit, he sold on lay-buy rather. He had previously given credit but people would return to the Eastern Cape and he would not be able to trace them. If he did track down defaulting debtors they would claim to have lost their job. If he tried to repossess items they would demand the deposit and instalments already paid be returned. Simon was reluctant to press customers on this as 'people kill if you make too much noise'. He typically hired a bakkie to deliver items that had been paid for.

In terms of his personal history, Simon was from a lower middle class family and completed his schooling and did business administration and management courses at a polytechnic in Nigeria. He came to South Africa in 2003 because of 'personal problems', he described himself as too ambitious to accept a modest job through family connections. He initially arrived in Johannesburg, sought out his church and sold sweets and cigarettes. However he accrued little in a year and was reluctant to return home empty handed. Moving to Cape Town, he fared better with vocational training and his succession of three enterprises. Although he lamented that several of his contemporaries who had migrated had fared far better than him. When discussing the commercial acumen of the foreigners, Simon noted that locals were inexperienced at selling and trading compared to people from West Africa.

Mount Frere district (Eastern Cape Province)

Nselo ('Quqa' taxi operator)

Nselo was a man in his late fifties who ran a small pick-up truck based ('*quqa*') transport business from his comfortable rural homestead in an Eastern Cape village. The bakkie (pick-up) carried 10 tightly squeezed passengers on wooden benches under a fibreglass canopy in its load-bed. It operated the 20 kilometre trip on rough and unpaved roads to the local town, for a few rand per passenger. Prior to 2009 Nselo owned three bakkies in various states of repair: the first the canopied passenger *quqa*, the second a battered goods transporting bakkie, the third a bakkie wrecked by an errant driver who absconded with the earnings. By 2009 Nselo had consolidated his enterprise in the single passenger *quqa*.

Earlier in the research period Nselo reported gross returns between R200 to R300 a day, of which approximately R80 to R100 was fuel. However he complained around rising fuel and maintenance costs, along with declining daily trips (amidst increasing local competition). Gauging the precise profitability of Nselo's transport business was difficult, because the maintenance costs for the old vehicles operating on unpaved roads was high, and provision for depreciation non-existent. Typically a *quqa* business would be run by an older man with a single vehicle, purchased with savings built up during previous formal sector employment. The demand of coaxing maximum use out of an old vehicle is a key task, and the enterprise typically lasts as long as the (invariably second-hand) vehicle operates under the harsh conditions. The activity therefore cushions the inexorable draw-down of a finite set of resources.

When Nselo ran both passenger and goods delivery vehicles, he effectively had two different enterprises, entailing membership of two different informal associations. Each association with its own 'joining fee' and Nselo thought it unlikely that anyone would attempt to trade without belonging to the appropriate association. While the delivery van could take clients and their goods (hardware materials, livestock, furniture, etc.) to their chosen destination, the passenger *quqa* only travelled the association's route between his village and the town. The right to trade was therefore incumbent both on membership of the association and local residency.

Nselo's parents were both local teachers, this and a spacious rural homestead marked him as part of the local petty elite. In terms of his employment history he had both a 'standard nine' from a mission school and a comparatively favourable history of formal sector urban employment (a working life of clerical, security and driving jobs). It was during this period he acquired both a house in a Gauteng township (currently occupied by his son), and rather unusually, a Sotho wife. Nselo's enterprise therefore grew from his urban employment (where he gained literacy, capital and driving skills), but also relied on the beneficence of local elite kin (teachers) as he bought their second hand vehicles as they were disposed of.

When he ran more than one vehicle Nselo employed drivers in an arrangement he found highly unsatisfactory (they withheld earnings and damaged his vehicles). Later he consolidated to a single vehicle he drove himself, but by 2009 his failing eyesight and increasingly unfavourable attention from

the local traffic authorities began to constitute considerable impediments. Nselo's wife, an outsider to the village with a ready preference for cosmopolitan Gauteng over village life, mooted learning to drive herself. However this was also a proposition unsupported by Nselo. Household finances were an unusually and explicitly contested issue between the couple. Finally, a disability grant receiving kin member, and later a distant relative of Nselo's were resident within the homestead, but were widely understood not to be the responsibility of Nselo's wife. The distant relative was tended to by her own, waged caregiver.

Magaba (Chicken farmer)

Magaba was a middle aged woman engaging in comparatively high levels of smallholder agricultural production including a 'chicken business' for several years. Married into a respectable village family, she was a widow and occupied a sprawling rural compound while supporting eight extended kin dependents. Although her attire and deportment suggested a 'traditional' Xhosa matron, she combined this social role with that of a dynamic chicken entrepreneur. By 2010 she was beginning a piggery from her rural homestead.

Magaba began her chicken business four years previously by teaming up with two other women and jointly buying R600 worth of hatchlings, to raise and sell. After successfully doing this, an organisation (an NGO) offered each woman a week of poultry training and a start up loan of R800. With regards to the chickens, she sourced hatchlings from a commercial supplier, in the nearby Mount Frere, raised the birds and sold them in the village. Unlike Magaba, her collaborators struggled with four monthly repayments of R240, and never succeed, but Magaba raised 100 birds monthly (a number that doubled over the busy Christmas season. The youngest chicks occupied a pen in the warm cooking hut, the older birds another hut. Although unable to readily quantify her profit, Magaba sold approximately 90 birds monthly (at R60 each). Consuming approximately R500 – R600 of commercial chicken feed a month, this potentially represented a gain of over R3000 a month. Magaba enhanced the profitability of the enterprise by augmenting commercial feed with her own maize, ground up in a newly purchased hand mill.

Magaba's commitment to agrarian production is further evidenced by her green vegetable garden, which starkly contrasted with the fallow gardens and dry grass of the surrounding winter landscape. The cultivation of the garden is greatly aided by a tap in her yard. In response to the research team's enquires she cheerfully explained how she 'tipped' (bribed) a contractor working on a nearby water pipeline, to illicitly connect the tap. She sold a relatively small surplus of vegetables and priced her products according to an 'urban parity pricing' (what they cost in town), but without the charge they would incur to bring them back on a *quqa* (rural bakkie taxi).

In light of a recent veterinary illness that decimated chickens in the district, Magaba explained that if she lost her birds, she would buy another batch of chicks the next month anyway. Just because one batch dies does not mean subsequent batches will, she resiliently argued. It is not micro-finance Magaba thought she needed, it was training in poultry illnesses.

Magaba's history points to some of the factors that facilitated her self-employment. Married into a respectable village family, her husband was formally employed in Johannesburg (a long-service certificate hangs on the lounge wall). He discouraged her from working outside the village, and prioritised his remittances to building the homestead (which Magaba oversaw). When Magaba's husband was murdered in Johannesburg seven years ago, she received his death benefit (of approximately R200 000). Not only did this sum help to smooth the cash flow of her business and build a comfortable homestead, it enabled her to support her four children and two grandchildren. An older daughter (along with two nieces) was attending college in Butterworth, and Magaba had paid tuition and living expenses for the preceding two years. Having successfully made it to their third year of study, the children secured loans from the state bursary scheme. Magaba had also recently acquired responsibility for a niece and nephew, and oversaw the construction of a mud block house for them. Finally on returning in 2010, Magaba was aligning herself with a proposed 'piggery project' being driven by an external NGO funder. She had already overseen the construction of a roofed piggery on her property. At the conclusion of the interview a fieldworker remarked that Magaba seemed to embody all the traditional rural virtues of courtliness, hard-work and social reciprocity.

Themabela (Builder)

Themabela lived with his wife and five children in a rural village where he worked as a building contractor. He was known to be skilled and built throughout the district, hired by villagers to build their houses. He built in concrete blocks, or more frequently sun-dried mud bricks, following which he laid the rafters and roof. A modest, single roomed house (approximately 6 x 4 meters) would cost R2500 in labour and takes approximately two to three weeks to complete, while a compact four roomed house cost about R8000- R9000. Plastering the walls cost extra. Themabela was also able to install ceilings and electrical wiring. He did not draw any of his children into construction (they were reportedly schooling), so Themabela normally employed two assistants: one mixes the mud-mortar, the other assisted Themabela by handing him blocks or bricks. Each was paid R45 a day in 2007 and R50 by 2010. Themabela estimated that once he paid his two workers, he could hypothetically earn an average of between R900 and R2000 during a busy month (particularly in the period from May to September before the summer rains start). However, this was difficult to quantify, because once they paid a deposit clients paid him irregular instalments, often over many months. In the past pensioners had partially paid in livestock. Finally, building work is seasonal, mud bricks cannot be laid during the summer rains.

Typically the client who commissioned Themabela would be responsible for securing the plot, water (for the mortar) and the building materials. Concrete blocks were trucked to the village, or more commonly, mud bricks were made by local residents. Themabela owned scaffolding and smaller hand tools, but wheelbarrows, picks and spades were typically borrowed from clients. Although Themabela reported being able to sketch out rough plans on paper, a client typically scratched out on the ground where he wants the house and Themabela specified the quantities of materials required. The client (or their representative) would also show Themabela *in-situ* where the doors and windows were to go.

In terms of his history, Thembela worked at a hardware store in Mpumalanga in the late 1980s. He was retrenched from this job when the store closed, but in this time had learnt all about building materials and how to estimate quantities. He was able to simply look at the dimensions of an envisaged structure scratched on the ground and specify the length of corrugated iron roofing required. Thembela served an informal apprenticeship of a year with a village builder, before starting to work for himself. Having no formal training, he reported that he ‘needs training’, or more accurately formal accreditation for the skills he has. He speculated that this would not only enable him to leave the village and secure better jobs, but he would be able to work on bigger developments such as state housing projects and schools within the district.

In 2007 Thembela was quite sanguine about credit and his ability to collect it. He was willing to start building on credit and before getting a deposit, and received the balance in payments. He hypothesised that if faced with non-payment he would complain to the local chief. By 2010, he and his wife indicated collecting debt had become increasingly difficult, and that many people owed him money. Amongst those that owed him money was the governing body of a local school, for work he did on the school. He did little to try and collect outstanding debt, and did not go to the chief about this default. When asked about the difference between 2007 and 2010, he ventured that collecting credit had become more difficult (his wife said it was because everybody was distantly related in the village, and Thembela was scrupulous about not looking ‘bad’ by pursuing them for the outstanding debt. Thembela’s difficulty in collecting debt was sufficient to have him toy with the idea of devoting less time to building and undertaking more subsistence agriculture. He also mooted using his welding gear to weld burglar bars and sell them in town ‘for cash’, so that he would not have to collect debt.

Mamjoli (Tavern keeper, meat vendor, small scale farmer)

Mamjoli was an elderly woman who lived in a deep rural area of the Eastern Cape, with her grandchildren at her rural homestead. She was relatively unusual in owning a gas-powered chest fridge/freezer, a valuable asset in her distant and un-electrified village. It was the key to her self-employment, as Mamjoli used her fridge to sell meat and beer from her rural homestead.

The half a dozen grandchildren that lived with Mamjoli were supported by the five, distantly-resident grown-up children who regularly contributed to the household. Adjacent to Mamjoli was the homestead of an urban-employed, married son, occupied by his wife and children (viz. Mamjoli’s daughter in-law and grandchildren). The boundaries between the two households were somewhat porous, with the daughter in law and grandchildren frequently present at Mamjoli’s rural compound.

In terms of her personal history, after being widowed as a young woman, Mamjoli spent most of her working life as a domestic worker in a succession of distant urban centres. During this time her mother helped raise the children, while Mamjoli remitted money to support them and build her current homestead. Her long urban employ had also given Mamjoli the social confidence, English language comprehension and keen eye for arbitrage, that was perhaps less evident amongst women who had never worked outside of the village.

After her late 1980s retirement to the village, Mamjoli's eldest son sent remittances from his menial job at a Durban supermarket, and bought her the gas-powered fridge. However when Mamjoli started receiving a state old age grant in the late 1990s, the pressure on both of them eased off. Her son worked fewer hours and cut down on his monthly remittance while he returned to night school and completed his secondary education. Attainment of his matric enabled him to train as a baker and steadily work his way up the occupational ladder.

In the two decades since her retirement Mamjoli augmented her income by selling beer (mostly consumed on her premises) and meat (pre-packaged, bought from a commercial butchery in the nearest town two hours away). Running the fridge required the trouble and expense of procuring bottles of LPG gas; not only was it key to Mamjoli's vending, it also enabled her to store perishable goods for other villagers and even special events at the local school. This positioned her as a powerful benefactor in the village-based network of social reciprocity. The enterprises profitability is difficult to calculate; in 2005 Mamjoli estimated she made R500 monthly from the meat retail (with the caveat that they also ate some of the meat within the household). Mamjoli managed the money, earmarking the returns from specific items for particular purposes (the 'chicken money' paid for the grandchildren's school related expenses). Beer retail could return a profit of R500, but there were more bad debts associated with drinking customers. These figures had doubled by 2009. Finally Mamjoli's older grandchildren were a key part of her economic activities: they helped to transport stock (on a public bus), assist customers and were occasionally dispatched to collect outstanding debt.

Through the research period Mamjoli's adult children, particularly the two with solid, middle-class jobs, were important benefactors to the household. They continued to support Mamjoli and the grandchildren and Mamjoli's son visited at least monthly, and unfailingly with items for his mother to vend. One of Mamjoli's daughters, a government employee, funded a programme of homestead rebuilding and installed a rain water tank. Mamjoli was mindful of her older children's moral stake in the household too. She engaged in a sometimes comic process of hiding empty beer bottles (and even the patrons) if her pious, charismatic Christian daughter and son in law were to visit.

Despite being obese and relatively immobile, Mamjoli presided over a vibrant 'kitchen garden' and some cultivation in the communal maize fields. The labour was supplied through a combination of her grandson's efforts, and the casual agricultural labour Mamjoli hired in the village. Although the value of the harvested maize was close to the imputed costs (for the tractor ploughing, seed, fertilizer and hired labour), Mamjoli explained they had consumed 'green mielies' throughout the growing season. Observance of a traditional commitment to agriculture was also an effective way of harnessing the labour of her boisterous and potentially disruptive grandsons.

By 2010 Mamjoli was selling less beer, but had diversified into brandy sales (despite her low opinion of brandy and brandy drinking in general), while she continued to oversee agricultural production. Her eldest son had engaged a 'herd boy' to look after their eight head of cattle, while Mamjoli had acquired several pigs. With her various income streams: earnings, and remittances Mamjoli reported that her state old age

grant was being spent on funeral insurance, some groceries, and ‘smaller things’ (including sugar, toiletries and the irregular amounts required by the various grandchildren attending school).

Magalama (Cooldrink vendor)

Magalama was a retired domestic worker, who sold bottles of carbonated cool drink (Coke) from her very comfortable, even comparatively prosperous, looking rural homestead. Morbidly obese and unable to move easily, she effectively constituted a single person rural household. Although she had two, remittance-sending urban based sons, they seldom visited. Magalama was unusual in that her small household was relatively unchanging in size, not even displaying evidence of the annual Christmas return migration. Throughout the course of the research (2007-2010) Magalama hired a succession of caregivers to help her with domestic tasks around the house.

Magalama’s cool drink vending was facilitated by the acquisition of a refrigerator, which in turn, was enabled by four related factors: her accrued savings from many years of urban domestic worker employment, a solid remittance from her sons (at least R500 a month), the receipt of a state old age grant and the electrification of the village. Magalama’s cool drink vending is less remarkable for its returns, than the fact that it has persisted for several years despite its miniscule scale. Magalama routinely sells a single case a month (viz. 12 bottles), yielding a profit equivalent to no more than five percent of the value of her state old age pension. Yet she continued to engage in the activity, because of the steady trickle of visitors it elicited.

Magalama’s regular church attendance and her vending drew her into the social networks of a village where she was neither long-resident nor particularly well-established socially (She only moved there on her retirement from the city, having paid the local headman for the site). This potentially served to deflect some of the suspicion, or even jealousy that she might otherwise have attracted.

Despite her physical limitations Magalama also engaged in petty agricultural production, relying exclusively on hired labour for the manual work. Early in the research process she reared chickens, but when all her birds were claimed by an infectious disease she gave up on replacing them with more chicks. With regards to her rain-fed crop production (vegetables and maize), the research team’s calculations suggested that, at best, she was breaking even (i.e. the imputed cost of the outputs matched her inputs). In an unfavourable, drought year she would effectively lose money. Yet when questioned about this marginal farming by proxy, she impatiently explained to the research team (in English), ‘it is our tradition’. However, it was apparent that offering fellow villagers casual employment (with payment in cash or in-kind) was used to channel their requests for material assistance. This enabled her to both respond to, yet simultaneously limit, their claims on her. Rather than just giving the other villagers portions of her income, she was harnessing her cash and their sweat in agricultural production.

Finally, in the course of the research, Magalama hired a series of young women (and then surprisingly) a young man to assist her with domestic tasks around the house. Often rather reticent in the presence of the research team, they were important purveyors of the care work and labour required in a rural setting.

Sipho (Welding business operator)

Sipho was an articulate young man in his 30s who operated a welding business in the small town of Mount Frere. Employing two Swazi welders, Sipho's enterprise fabricated a variety of products on clients' requests. These included driveway gates, burglar bars and security gates, TV stands, the frames for cages for chickens (to be covered with mesh) and toilets (a welded steel frame with a door, clad in corrugated iron, to put over a pit latrine). The enterprise occupied a prime location alongside the main road through the town, and work was largely conducted under the veranda of a derelict, roofless house. The rented site had electricity which powered the arc-welder and the hand-held power tools. However in the absence of secure storage, the welders took the tools home with them (the heavy arc-welder in a wheelbarrow), while their unfinished work was chained down nightly.

Like Sipho the two Swazi welders were relatively youthful, however they deferred to him in the research interviews. Their poor isiXhosa language skills clearly marked them as outsiders and somewhat marginal, in a context where isiXhosa is the most widely spoken language. The welders were paid bi-weekly or monthly, receiving a 'stipend' (Sipho's word) for work done, rather than a fixed salary (they essentially work on a 'piece-rate' schedule for work completed). The first man had learnt to weld while working at a large general dealer store in town; he then left to work for a small scale welding contractor, until recruited by Sipho several months earlier with the promise of higher commissions. However the past four months had been particularly quiet, the first man ruefully noted. He had taught his compatriot how to weld, so neither man had any formal qualification.

Well versed in business jargon, Sipho spoke of the 'synergies' between the welders and himself and explained his role was to 'make the business grow'. Sipho's energies were focused on canvassing for new business, applying for tenders (mainly securing schools with burglar proofing) and liaising with clients. This was alongside the considerable time and effort he devoted to engaging with local patronage networks and with the scanty local state-funded business support services.

In terms of his personal history, Sipho came from a comparatively elite middle-class homeland family (his father was a policeman) and completed his secondary schooling at a moderately prestigious former Transkei-era school. He studied commerce subjects at a regional technikon, and attained a marketing qualification at another institution. He returned unemployed to Mount Frere in 2003, and became variously involved with a branch of the local ANC, a local 'youth council' and was a member of a 'youth project' that was focused on agricultural production. Questioned on his agricultural ambitions, the dapper and urbane Sipho reported he was part of the 'organizing committee', rather than a regular member toiling in the fields. The aspirational Sipho was clearly seeking to ally himself with local opportunities for social mobility, on a terrain between the state and the market.

Much of Sipho's more recent efforts had been directed at securing funding (he had approached SEDA recently who assisted with marketing and signage), and had secured ECDC (Eastern Cape Development Corporation) support to develop a business plan. Sipho identified the 'toilets' (outhouse buildings for pit latrines) sold by local large hardware stores as a potentially viable product to develop. The existing units

on sale at the hardware stores in the town were apparently trucked down from distant Johannesburg and sold for between R600 to R800 (R1200 if galvanized). These were prices Siphso felt he could comfortably undercut. Hence his ambition was to secure R100 000 of credit to buy materials in bulk (primarily steel, corrugated iron, mesh and welding consumables), produce the toilets and sell them to the hardware store. Significantly he did not plan to vend these items directly, seemingly keen to avoid having to deal with customers and credit.

The loquacious Siphso had a keen sense of the need to look ‘professional’, and spoke of the enterprise in ways that invoked the template of a more formal enterprise (he described discussing the ‘vision’ and ‘mission’, and weekly feedback sessions with his two welding ‘partners’). In the short time he had rented the present site for a monthly rental of R1000, he (more precisely the welders) fenced it, welded an elaborate gate and cleared the yard of the undergrowth and saplings. They did however struggle with the weak electricity supply. With poorly enforced by-laws, Siphso did not think that the absence of a permit or permission from municipality was especially problematic, yet he had reportedly registered the enterprise and sought to obtain a VAT registration number. Siphso used his brother’s vehicle to transport materials and completed products, and continued to maintain close links to his parental home.

Siphso had not yet developed a catalogue but he and the others routinely sketched designs (for gates) or took potential customers to other sites to show them completed work. In their relatively short history they had encountered problems with collecting credit from clients, including an elderly man who was a family friend of Siphso’s. Despite the exchange of recriminations and a letter of demand, Siphso had not pursued the defaulting client as vigorously as possible (i.e. small claims court) because the debtor was elderly, and well-respected in the community. All three members of the enterprise, having suffered the consequences of non-payment, were very circumspect about granting credit.

Zanele (Cooked food vendor)

Zanele was a young woman in her late 20s who ran a small food stall from a small steel shipping container, alongside the main road in the small town of Mount Frere. She served a plate of well prepared food (including a meat, a starch, vegetables and gravy) at R20 for a ‘full plate’ (R15 for a small plate) to her patrons seated around the stall on plastic garden chairs. When first interviewed in 2009 she had been running the business for only several weeks.

Zanele was an enthusiastic cook and had both a collection of recipes and selection of bottled herbs (unlike many other takeaway food outlets that simply season food with salt or Aromat). In the time she had been running her informal restaurant she essentially planned her menu around the daily purchase of the two live chickens that she slaughtered and cooked (live chickens, particularly ‘spent-hens’ from the poultry industry are commonly sold by informal vendors along Mount Frere’s main road). Zanele was unusual in keeping very accurate records of her daily sales (a skill she had previously learnt during a municipality endorsed furniture-making course, although she never produced furniture). Excluding the costs of the gas used as fuel and the vegetables, Nonelwa recorded returns varied from R100 to a maximum of R340, with

an average of approximately R180. From this she budgeted a weekly sum of R200 on a cylinder of LPG (liquid petroleum gas).

Zanele's patrons included both transient visitors to town (she was adjacent to a busy petrol station), and regular, often formally employed workers from the town centre. Although she made attempts to market her business (by erecting a few posters in town), she relied heavily on word of mouth referrals from her customers. She rented her shipping container premises for a sum of R500 monthly and collected water from a tap at an adjacent carwash. She had no business license, nor had she had any dealings with municipal environmental health officials. She knew little about the vending stalls recently built by the local municipality, but thought them ill-positioned and imagined they would have long waiting lists to acquire one. She aspired to gaining an electrical connection (and had already made inquires) to run a microwave oven and kettle, but the costs were prohibitive at this stage. Zanele was also contemplating engaging an employee in order to diversify into sandwiches and cool drinks (perhaps sold directly at business premises).

Zanele generally did not give credit, but as it drew near to the end of the month she occasionally extended some credit to her regular, formally employed customers such as teachers, especially if they arrive after 15h00 when she knew she was likely to be straddled with unsold food.

In terms of her history, Zanele never completed her matric and hailed from a modest village family background. She previously worked as a cook in another container restaurant further down the road. As an employee she earned R150 for a six day week (R600 monthly), working from 7am to 5pm on weekdays. She left this job because of the low earnings and conflicts with her previous employer (who dismissed her). Zanele was pleased to describe how several of her former customers followed her, complaining that the food was not the same since she left. In addition she earned more money than she did previously. Zanele was circumspect on how she secured the capital to start her business, including purchasing the kitchen items she needed (gas stove, pots, kitchen supplies, etc.), but explained that one of her customers saw her working, questioned her on what she wanted to do, and asked her if she wanted her own business. This benefactor was neither a relative, nor did he require the R1000 advanced returned, she coyly answered (A fieldworker understood this mysterious benefactor to be a boyfriend, but her reticence and the demands of decorum meant this issue was left relatively unexplored).

An important part of Zanele's self-presentation was her courtly and respectable demeanour. Not only was she a regular churchgoer, she was a member of a local choral choir and practiced daily. She supported several younger siblings who resided with their grandmother back at their village, and indicated her mother died several years before. Zanele was therefore an important breadwinner in the household, and one who regularly returned to her village family while living in a rented room in Mount Frere. By 2010, Zanele had hired a helper, but under unfavourable conditions. She had grown ill with hepatitis-like symptoms, and hired an employee for a short period while she was in hospital and during a long recuperation, before her being able to return to her stall.

Malusi (Tavern owner, taxi operator, builder)

Malusi was a man in his early 40s who resided in a village on the outskirts of the small rural town of Mount Frere. Malusi had a varied history of self-employment, including running a tavern (a formalized shebeen), a taxi and a construction business. His core activity (running uninterrupted from 1999 to 2009), had been a busy shebeen. The location of the tavern intermittently shifted between an older house (which Malusi inherited) and a newer structure he had built and used as a family home. It was the tavern which had been run in conjunction with a range of other activities over the years, including a rural bakkie (pick up truck) based taxi (*quqa*) and contract construction work.

With a family background amongst the former homeland petty-elite, Malusi completed his schooling in distant urban centres. He obtained a post-school course in aspects of project management, before working in a series of fairly menial administrative jobs in Johannesburg for most of the 1990s. Returning to Mount Frere, and having inherited property on the communal land of the village, he opened his tavern. A busy establishment, it could retail 30 to 60 (when busy) cases of beer a week, along with spirits and industrially brewed, cheap sorghum beer. Malusi claimed the tavern could make R4000 profit a month (including sales on credit) and easily tripled this sum during the busy Christmas holiday period. Malusi described the tavern as licensed but indicated he had been fined for licensing infractions in the past. A major challenge he faced was to upgrade the dilapidated building so that it continued to attract salaried middle class patrons (teachers, policeman, etc.) and also met license requirements (separate toilet facilities, fire extinguishers, etc.). In terms of labour the shebeen was variously run by Malusi, his public-sector employed wife, or alternatively paid labour. Malusi had previously used kin labour (cousins), but they had twice absconded with the takings and were the subject of bitter enmity. At the time Malusi was paying a non-kin employee a reported monthly wage of R900 to tend it.

Around 2005 Malusi purchased a bakkie, but unable to keep up the monthly payments he surrendered it to the bank a few months later. He again used income from the tavern to purchase a bakkie in 2007, and the vehicle was extensively used including as a *quqa* for several years until being irreparably damaged in an accident.

In 2008 Malusi began to style himself as a builder, and started tending for the smaller but potentially lucrative local government contracts. With little building experience, but with access to local elite networks, some capital and a vehicle, he simply hired a builder to physically do the work. He described how during this busy period of running three enterprises he would load alcohol in the early morning for his tavern, take some passengers into town and go onto a construction site with the same vehicle, until he acquired a cheaper second hand car. At this point he hired a driver for the *quqa* at a weekly wage of R250, until the loss of the vehicle.

The business accounts for the three enterprises were not kept separate, and income from one business would be channelled as operating capital for the others. Distrustful of formal bank accounts, he conducted much of his business in cash. Since recently closing his construction business, Malusi turned his attention to the outstanding tax bill (of about R14 000) and weighed the pragmatic prospect of declaring himself bankrupt to escape it.

The labour of Malusi's wife was an important part of the household livelihood strategy. In 2003 with the tavern established, he paid for his wife to complete an 'ambulance attendant' (a basic paramedic) course in KwaZulu-Natal. After a year of unemployment, she secured a job locally with the provincial health department. Her solid and regular income was an important part of the household's income stream and was often diverted into running the various enterprises (such as sourcing stock, paying fines or repairing vehicles).

Finally, Malusi was regarded as a somewhat shrewd business person, and sought out by kin and neighbours for advice. Furthermore he was politically active, but although he had toyed with the idea of standing for local government elections, his candidacy was made difficult by his slightly disreputable occupation of selling alcohol.

Zungiswa (Tractor ploughing contractor)

A man in his late 20s Zungiswa lived at his parents village homestead and worked as a ploughing contractor in the surrounding village using the family tractors. His father and mother worked as a technician and nurse at a local state hospital, and the comparatively prosperous looking household owned a double cab bakkie, along with two tractors, a tractor-drawn trailer and an assortment of agricultural implements. The ploughing enterprise was strongly seasonal, and saw the tractors used to plough fields for agricultural production (maize, vegetables) in the spring and summer months (from September to December), whereas in the quieter winter month they ploughed fields for potato production, mud brick production and hauled sand for building. The summer months were extremely busy and the working days long, but in winter the tractors would sit idle for several days at a time.

Zungiswa operated one of the tractors, but was regularly assisted by his brother and a paid employee (recruited from a nearby village). The summer working day extended from 06h00 to 19h00 (and typically saw them swop shifts at 13h00). Zungiswa explained that both he and his brother had a regular car license ('code 08') but not the specific license required to drive a tractor. As they seldom drove on tarred public roads he did not view this as much of a problem. The third employed driver had no license at all.

Customers typically approached them to plough or supply sand. Sand cost R600 to R800 (depending on the distance) for approximately two tons delivered with the tractor drawn trailer from the district's rivers. For ploughing Zungiswa typically examined the area in question and then quotes a price. A small homestead garden (perhaps the size of a large suburban plot) could be done in as little as 15 minutes and cost R200. A large field could take 30-60 minutes to plough. Travel to a distant site and burning expensive diesel would increase the price, but Zungiswa was prepared to negotiate keener prices if a group of people in a locale arranged for him to work with minimal wasted travel.

Zungiswa extended little credit (unless a person was well known to them), due to the difficulty in collecting it. They often got paid in cash, but customers frequently deposited money in the bank account of his father. During a long summer day a single tractor could consume R900 worth of fuel, but brought

in returns of R2000 to R3000. Although there were other tractor owners in the district and they competed on price, Zungiswa emphasised the skill required to plough correctly so that all the sod is turned and no grass visible.

Operating the tractor not only required skilled, but ongoing maintenance. While his father had previously owned tractors, both of the current machines were bought second hand in 1997 for between R85 000 and R75000 (the second as a back-up, and because his father received very favourable payment terms). Zungiswa undertook not just the routine maintenance, but could also do extensive repairs on the engine. He had a range of specialist tools (such as torque wrench and ring puller). He also had some uncompleted formal technical education.

Zungiswa firmly resisted describing himself as employed in a family business; instead he explained he was helping his family. Accordingly, his father did not pay him as an employee but ‘takes him as their child’ and gave him money when he wanted something. Zungiswa clarified that he neither drank nor smoked, so his needs were modest. Significantly Zungiswa was the eldest son, and according to the local mores of primogeniture he would stand to inherit his father’s estate (his efforts would therefore effectively build a household he had a stake in).

When asked about his aspirations, Zungiswa explained he wanted to get a job (distinct from his current occupation of ‘helping of his family’), and he wished to build his own house. He was ‘married’ (incompletely, having not yet paid for his bride) with his wife and a young child locally resident at his parents’ compound. Zungiswa regularly applied for messenger or driver posts within government departments, advertised in the regional Daily Dispatch newspaper. He had secured an interview for a similar post with the police, but nothing came of it. If he were to secure a formal job, his brother or their employee would take over running the tractors. Zungiswa viewed secure (preferably public sector) formal employment as a crucial pillar of his envisaged livelihood activities. He explained ‘you cannot have an (informal) business until you first have an (formal) job’.

Appendix 2 Locating the qualitative sample within the NIDS data

This study sought to make use of both qualitative data from our own fieldwork, and quantitative data from the NIDS dataset. In addition, however, some quantitative data were collected from the ‘qualitative sample’, the main purpose being to see how well our qualitative sample matched the NIDS data (i.e. in respect of informally self-employed blacks residing in South Africa). These quantitative data were collected using selected NIDS questionnaire modules, by a survey company that actually participated in administering of the first wave of NIDS. The main differences in the ‘administration method’ between the capturing the quantitative data from our sample of 30 (mainly) qualitative interviewees, and the NIDS survey, is that in the former, specific individuals were targeted, and their NIDS-style interviews were preceded by the qualitative interviews. In the case of applying the NIDS questionnaire modules to qualitative interviews, the focus was on one adult in the household rather than coverage of all of adults in the household as provided for in the NIDS survey.

This part of the appendix serves to answer the question of how our qualitative sample compares and contrasts with the NIDS sample regarding informal self-employment. Firstly, it does not employ statistical tests to establish the likelihood of non-difference rather the comparison is ‘by inspection’. In any event, no prior claim had been made to the effect that the qualitative sample would be ‘typical’ or ‘representative’ in a statistical fashion, rather the purpose is to obtain a sense as to how typical or representative it is before assuming that there is a basis for analysing the qualitative data together with the quantitative data from NIDS. The main conclusion in this respect is that such a basis is adequately established.

The first thing to notice is that the qualitative sample in fact did not focus exclusively on the informally self-employed, using our own operational definition of registration for tax to signal formality. Within our sample of 30, three (10%) indicated that they were in fact registered for tax, and for six (20%) no answer was recorded. To see if the operational definition applied to the NIDS data also makes sense in the context of our qualitative interviewees, we show below the average self-employment income differentiated by registration status (for the qualitative sample, the number of useable observations is indicated in square brackets). The general finding is that difference is in the same direction (i.e. those who are registered earn significantly more from their self-employment than those who are not). Something of a question mark arises regarding the qualitative sample however, in that those for whom the registration status is not clear earn quite a bit more than those who are not registered (though less than those who are), suggesting that as a whole the qualitative sample might have erred in the direction of formal self-employment.

More importantly, perhaps, the average self-employment income of those not registered for tax is higher for the qualitative sample than for the NIDS sample (i.e. R5051 versus R2413). This is probably an

indication of the fact that the qualitative sample tended to gravitate towards relatively better-off informally self-employed individuals, driven by the fact that the research team tended to seek a diverse collection of informal self-employment activities rather than a ‘representative sample’, the latter of which is characterised by a higher proportion of petty traders than the former. In our view, this is a defensible and justifiable difference, given the objectives of the study. The fact that the means are shown twice for the NIDS sample (once using the data ‘as is’, and again where zeros are excluded from the calculation) refers to the uncertainty mentioned in the report that by and large zeros are miscoded missings.

Table 22: Comparison of the qualitative sample and NIDS sub-sample of the self-employed, by formality status

	Qualitative sample		NIDS sample		
	Share of sample	Mean net SE income pa [useable obs.]	Share of sub-sample	Mean net SE income pa	Mean net SE income pa excl. zeros
Registered for tax	10%	30,100 [3]	12%	13,320	22,916
Not registered for tax	70%	5,051 [10]	84%	1,461	2,413
Missing	20%	14,333 [3]	4%	2,047	3,806

Next we look at the gender breakdown of the respective samples. However, given the uncertainty regarding the 20% of the qualitative sample for which the formality status is uncertain, the calculations are done in two ways. In the first (“Excluding ‘missing’ inre tax”), the calculations take into account only those observations for which the response to the question regarding registration for taxes was negative; for the second (“Including ‘missings’ inre tax”), those observations for which this question was not answered are treated as though they also belong to the category of informally self-employed. The gender mix for both favours men, in contrast to the gender mix of informally self-employed in the NIDS sample; however, the gender mix for the inclusive treatment of those who failed to respond to the tax registration question, is close to that of the NIDS sample. On the other hand, neither rendering of the qualitative sample provides the same picture of men’s superior earnings from self-employment that emerges from the NIDS data. In any event, the main finding is that the mean and median incomes are significantly higher according to the qualitative sample than to the NIDS sample, again reflecting the fact that the qualitative fieldwork tended to embrace a richer mix of entrepreneur types than can be said to ‘represent’ the informally self-employed. On the other hand, in light of the preceding discussion regarding the relative data quality of income from different employment types in the NIDS data, it is also a possibility that the capture of quantitative information from the qualitative sample was less badly affected by data quality problems owing to the higher level of interaction with the qualitative interviews.

Table 23: Comparison of the qualitative sample and NIDS sub-samples of the informally self-employed, by gender

	Qualitative sample						NIDS sample		
	Excluding 'missings' inre tax			Including 'missings' inre tax			Share of sample	Mean net ISE income pa excl. zeros	Median net ISE income pa excl. zeros
	Share of sample	Mean net ISE income pa	Median net ISE income pa	Share of sample	Mean net ISE income pa	Median net ISE income pa			
Women	38%	9,342	3,600	44%	10,634	7,000	54%	1,654	400
Men	62%	6,611	4,900	56%	7,101	5,000	46%	3,317	1,000
All	100%	7,522	4,800	100%	8,691	6,000	100%	2,413	500

Appendix 4 Data quality regarding income from informal self-employment

As mentioned in the report, one of the deficits of the NIDS data regarding informal self-employment is the relative dearth of information on income.¹⁹ This is not unique to the NIDS data. Another concern includes the quality of such income data as does exist, in respect of which we here explore two issues.

The first of these two issues has to do with the apparent under-reporting of income. While by definition we do not know the extent of such under-reporting, we can observe some patterns that give some idea as to its nature. Our approach is to compare two variables from NIDS' household questionnaires, namely, total monthly household income and total monthly household expenditure. There are in fact different versions of these, usefully made available with the NIDS dataset; the ones we draw upon are those without imputations, except to the extent they include mid-point income imputations for those respondents who preferred to select their income range from a flashcard rather than stating the amount. The values of these variables (namely 'w1_hhq_incb' and 'w1_h_exprough' for household income and expenditure, respectively) are therefore generally identical to what respondents reported, rather than being adjusted by the statistical team that generated some of the NIDS dataset's derived variables. These two variables were then compared to one another with the idea that the more consistent and/or greater the discrepancy between reported expenditure and reported income, the more serious the problem with the accuracy of respondents' reports, especially in respect of income.

Of course there are good reasons why expenditure may exceed income other than an under-reporting of income. For one, the household may be in the process of dis-saving, perhaps because its income is irregular and at the time of the interview was less than its medium-term average, even though by definition the respondent was involved in self-employment at that moment in time. Also, it is possible that a household might over-state its expenditure rather than under-state its income (though it's unclear why it would wish to do so). Thus a comparison of household income to household expenditure lends itself to different interpretations.

Our comparison takes two forms. First, we report the share of households for whom the household's monthly expenditure exceeded its monthly income by 50% or more. And second, taking together all households for whom expenditure exceeded income (that is, disregarding the larger number for whom income exceeded or equalled expenditure) we calculated the 'over-spending' per household, which in turn was compared to average household income. These calculations are done separately for different types of

¹⁹One theoretical remedy to compensate for missing income information that was attempted and then dismissed was to use the variable regarding income in the previous month together with the variable regarding the number of months out of the previous 12 during which the individual pursued the self-employment activity. Logically one would imagine that multiplying the one by the other would give a reasonable approximation of annual income. However, looking at the 243 observations for which data on all three variables was available and non-zero, it is clear that the correspondence is very poor, with the average 'imputed annual' income being on average 3.8 times as great as the reported annual income. The correspondence is no less poor if one confines one's attention to those cases where the respondent reported engaging in the self-employment activity continuously during the previous 12 months.

households, where we distinguish for instance between those households whose only earned income is from informal self-employment, and those for whom income is from regular wage employment, etc. The table below summarises the results.

	Share of HHs 'over-spending' by 50% or more	Average 'over-spending' per HH (conditional)		n
		Rand	As % of avg. income	
Regular wage employment & formal self-employment	45%	4,606	80%	24
Formal self-employment only	34%	4,920	68%	45
Casual employment only	30%	508	37%	390
Informal self-employment only	27%	1,013	70%	367
Regular wage & casual employment only	27%	713	26%	163
No employment	23%	897	49%	3,171
Regular wage employment & informal self-employment	21%	1,235	38%	116
Regular wage employment only	15%	703	21%	2,370

The pattern suggests that those households with income from self-employment are especially likely to spend more money than they take in, and are likely to do so by a greater amount relative to their income. Interestingly, those households with income from formal self-employment are particularly likely to 'over-spend', and for those who do so, to 'over-spend' a lot relative to their income. By contrast, those households whose only earned income comes from regular wage employment are least likely to 'over-spend', and also to over-spend by the smallest proportion among those who do 'over-spend'. The pattern would seem to imply that the capture of income is especially poor among those who rely either partially or entirely on self-employment²⁰. The fact that 'over-spending' households with no reported earned income tend to over-spend by 49% is also food for thought, especially given the debate mentioned above regarding the ability of household surveys to capture the informal sector.

²⁰ It also might suggest that, at least potentially, the concern among some policy-makers about the need to bring the informally self-employed into the tax net is misplaced relative to the likelihood that formally self-employed individuals might be abusing the tax in greater monetary terms if not numbers. Of course the fact that a person may under-report income on a household survey does not necessarily imply that he will do so on his tax returns, but the incentive to do so on the latter is obviously far greater.

Arguably the most serious weakness of the comparisons drawn above has to do with the fact that self-employment is often temporary, thus one would expect episodes of dis-saving during which expenditure exceeds income, more so certainly than the case with regular wage employment. Although the self-employed individuals captured in the dataset were engaged in their self-employment activities at the time of the interview, it is conceivable that those whose activities had commenced more recently might still be dis-saving income they had accumulated during prior episodes of self-employment or indeed wage employment. In an attempt to make the comparisons more meaningful, therefore, we focus on those households whose members reported being self-employed for the previous 12 months.

These results are presented in the Table 25. The table presents recalculations only for household types with at least some self-employment income, however some of these household types are omitted owing to the fact that the number of useable observations declined too far (our threshold was 20, thus for example results for the categories of ‘regular wage employment & formal self-employment’ are not reported because the number of observations fell below that).

Contrary to expectations, households with self-employment income and whose self-employment had been continuous for at least the 12 months leading up to the interview, appear to have a tendency to ‘over-spend’ (i.e. under-report income) *more*, both in terms of frequency and extent. The differences are, moreover, significant. We can only speculate as to the reason why this is the case (one possible explanation is that those whose self-employment activities have continued for longer are more likely to be concerned that they are not complying with tax requirements, and by extension are more cagey in responding to a household questionnaire). In any event, this dispels our concern that the relatively high incidence of ‘over-spending’ among those households engaged in self-employment was merely an artefact due to the inconstancy of self-employment activities.

		Share of HHs ‘over-spending’ by 50% or more	Average ‘over-spending’ per HH (conditional)		n
			Rand	As % of avg. income	
Formal self-employment only	Unspec. period self-employed	34%	4,920	68%	45
	12+ month self-employed	37%	8,502	89%	22
Informal self-employment only	Unspec. period self-employed	27%	1,013	70%	367
	12+ month self-employed	32%	1,822	150%	127
Regular wage employment & informal self-employment	Unspec. period self-employed	21%	1,235	38%	116
	12+ month self-employed	22%	1,884	47%	35