

Transformation in a nutshell

The informal sector is major source of employment across developing countries, worldwide. The ILO¹ shows that workers in the informal economy have a reservoir of skills, real business acumen, creativity, dynamism and innovation, and such potential could flourish if certain obstacles could be removed. In addition, many informal workers are women and youth, but the lack of social protection, skills' upgrading and productive income often trap these groups into poverty and exclusion from economic growth and development.

If effective strategies are put in place, the informal sector can be a transitional base for accessibility and graduation to the formal economy, promoting inclusive growth in eThekweni, and elsewhere.

Key Components of Research

Through structured interviews with informal enterprise in this category, and in depth case study research, this project investigates why some businesses remain outside of the formal economy. Specific themes for the project include:

- The specific barriers to formalisation
- The disadvantages of remaining informal
- The perceived benefits of formalisation
- The challenges faced in attempts to formalise
- The implications of informality for employees in these businesses
- The perceptions of available government support for informal business n transition
- The desired support from local government

The data and insights from the research are being analysed compiled into a research report, an infographic summary and a short presentation, to stimulate discussion around this important topic.

Benefits to eThekweni Municipality

This project aims to deepen our understanding of the barriers to formalisation faced by informal businesses operating in Durban's CBD to build an evidence base for more appropriate local government support and intervention to address poverty, inequality, unemployment and promote inclusive growth and prosperity in the metro.

¹ Sourced from: Decent work agenda, Promoting Decent work for all,

<http://www.ilo.org/global/about-the-ilo/decent-work-agenda/lang--de/index.htm>

Expanded Summary

In eThekweni, the informal economy tends to be viewed in terms of its most visible participants – street traders, many of whom are women and generally fall into the category of subsistence informality. For the most part, informal traders operate in designated markets and kiosks along busy streets, which are allocated according to a number of principles, and reserved through a permitting system.

Data from the Quarterly Labour Force Survey (2016Q4) show the composition of informal employment in the eThekweni Metro, summarised in the graph below.

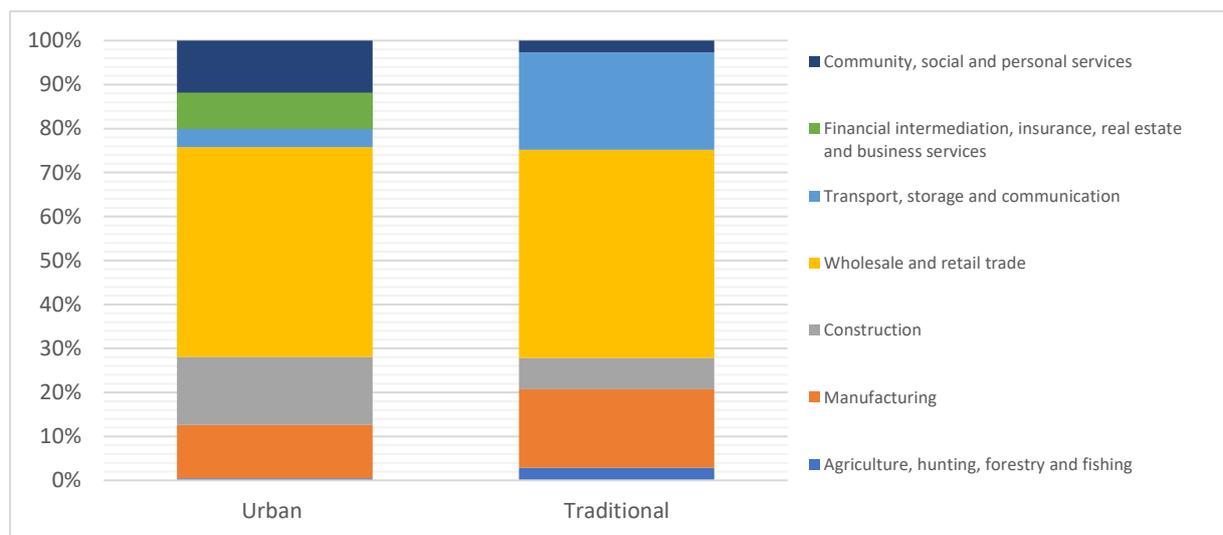


Figure 1: Informal employment in eThekweni metro (QLFS 2016Q4)

In both the urban and traditional areas, while wholesale and retail trends accounts for the largest proportion of employment, there are a range of other sectors represented. This research project presents findings from a survey of a diverse sample of SMMEs in the city, operating both formally and informally, depending on the definition used. It sheds light on the day to day challenges faced by these enterprises and more specifically the barriers to formality, which trap informal workers and businesses into poverty and exclusion from economic growth and development.

By exploring both the methodology and insights from the survey, this research project hopes to promote the implementation and monitoring of more effective government programmes; a greater sense of collaboration around similar topics; intended to support and empower SMMEs and informal businesses to grow to their full potential and to highlight the importance of evidence based policy making and strategy development.