

GROWING THE (IN)FORMAL ECONOMY

**regulations and other obstacles to the
spatial integration of informal enterprises**

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Importance of the informal economy

- Mass unemployment and poverty in South Africa
- over 2.5 m people work in the informal economy = 17% of workforce in 2014
- 41% were below poverty line in 2012
- Income, employment, social and environmental benefits
- Positive contributions need to be balanced against other societal interests (formal business, residents, state)

Informal economy in eThekweni M.

Street or curbsides traders

Car guides

Hairdressing and hair cut

Home renovators

Restaurants /Food outlets

Livestock traders

Traditional wear, décor & beadwork

Sewers

Payphones

Panel beaters

Shoes and shoe repairs

Mobile traders

Taxi drivers

Cardboard collectors

Markets (flea & craft & special markets)

Beach traders

Photographers

Car wash

Tuck-shop operators

Structural challenges to transformation

- *“Structural constraints imposed by the urban spatial and economic arrangements thwart informal enterprises in any attempt to become growth drivers” (Rakabe, 2017:1)*
- *Government policy, regulations and practices are one of many barriers*

“... the regulatory obstacles are primordial, predominant, essential obstacles for informal enterprises’ growth” (Academic, Johannesburg).

“The spatial transformation of townships is necessary to improve the economy” (Senior official 3, eThekweni Municipality).

Policy ambivalence

- National policy neglect and ambivalence
- eThekweni: Informal Economy Policy (2001) and trading by-laws (2002), Informal Economy Forum (2005)
- R150 mn in infrastructure + services since 2000
- Progressive but also inconsistencies and tensions

“Politicians are ambivalent towards informality. A lot of the time there is insufficient engagement with the sector, with the needs and preferences. Instead we get a top down view, which is primarily regulatory based on a belief that regulations can be used to manage informality”
(NGO 2, eThekweni Municipality).

“The approach by the metro police is aggressive. It is about by-laws enforcement”
(Senior official 2, eThekweni Municipality)

Obstacles in city centre & affluent suburbs

- By-laws limit trading to specific places, people, operations
- Criminalisation of traders without permits
- Restrictions of Business Act: national roads, intersections, stadium, near government building, churches, etc.
- Business permits and licences

“To open a restaurant or sell food from mobile shops, that process is lengthy and costly. You must pay council to get health inspectors to inspect and to get a licence. This is not a cheap and easy process” (Senior official 1, eThekweni Municipality)

“Regulations are there to stop congestion on sidewalks, but no one asks how wide the sidewalks should be. If you look at it from another perspective the requirements become different” (NGO 2, eThekweni Municipality)

Obstacles in townships

- Onerous bureaucratic processes
 - Business licenses and permits
- Land use rights and zoning
 - Title deeds, building plans, land use applications
- Too excessive norms and standards
 - National Building Reg., Fire, Health & Safety, Smoking

“If there is a vacant land and somebody wants to establish a car mechanic facility, he can’t because it is zoned for residential use” (Senior official 2, eThekweni Municipality)

“Health and safety regulation is problematic. There are too stringent criteria, which translate into restrictive by-laws. You are not allowed to make fire in certain areas, but people love braai stands and roasted chickens in the streets” (Senior official 2, eThekweni Municipality)

“These regulations are completely out of touch with the realities of township life and culture” (Tavern association cited in AlgoaFM, 2014).

The impact of policies and regulations on informal enterprises

- Hamper spatial integration, formalisation and growth
- Cause risk of closure and vulnerability to harassment (bribery)
- Constrain investment due to insecurity and uncertainty
- Limit formal-informal linkages
- “Enforced informalisation” (Charman et al., 2013)

“We have people who have been selling their fruits and vegetables for maybe 30 years. They are still one person owned shop with only one assistant” (Senior official 1, eThekweni Municipality)

Developmental policy approach

- Accept informality as the new norm
- Provide support and clear vision
- Create enabling regulatory environment
 - Open up more opportunities to informal traders/enterprises
 - Revise, simplify and streamline bureaucratic processes
 - Create enabling zoning and land use management systems
 - Provide tenure security in townships
 - Adapt regulation to fit context (lower standards, progressive realisation, flexibility)

“Another approach is needed. Leave them to manage themselves, but within limits” (Senior official 2, eThekweni Municipality)

Thank you!

“We believe we have a western or modernist pathway and I don’t think this is where we are going. We spend years of holding back the tide instead of looking at big principles and how to operationalize them”
(NGO 2, eThekweni Municipality)