

Informal Economy Panel

This panel draws on the work of the global research–action–policy network [Women in Informal Employment: Globalizing and Organizing](#) (WIEGO). For twenty years WIEGO has focused on building capacity among informal worker organizations, expanding the knowledge base on informal work, and influencing local, national and international policies. This panel reflects WIEGO’s work in South Africa.

The panel in summary:

- Mike Rogan: The South African Informal Economy – What Stats SA Data Show.
- Vanessa Pillay: The Waste Sector: Formal- Informal Linkages, Current Policy Experiences and Reform Priorities.
- Caroline Skinner: What do Informal Trading Realities Suggestion for Informal Economy Policy in South Africa.
- Jane Barrett: Reflections Implementing the ILO’s Recommendation on ‘Formalising the Informal Economy’ and its Relationship to Organising Informal Workers.

Panellists institutional affiliations:

- Mike Rogan, Research Associate, WIEGO and Neil Aggett Labour Studies Unit, Rhodes University.
- Vanessa Pillay, Programme Officer, Organisation and Representation Programme, WIEGO.
- Caroline Skinner, Urban Policies Research Director, WIEGO and African Centre for Cities, University of Cape Town.
- Jane Barrett, Director, Organisation and Representation Programme, WIEGO.

Presenters bios can be found at <http://www.wiego.org/wiego/wiego-team-bios>.

1 Problem statement

Please provide no more than half a page providing an outline of the impediments to job creation that exist and how the proposal will meet the challenges.

Thirty four percent of those who work in South Africa, are in informal employment¹ (ILO, 2018:103). The ILO estimates 21% of total employment is the informal sector, 8% in households (largely domestic workers) and 5% in the formal sector. This is one of the few areas of, albeit modest, employment growth. For example, 2018 first quarter labour force

¹ In line with International Conference of Labour Statistician (and Statistics South Africa) norms, informal employment identifies 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 uses the lack of a written contract and basic benefits such as pension and medical aid as key variables. (2018: 16).

survey data, found 220 000 more jobs in the informal sector² in 2018 than for the same quarter in 2017 (Stats SA, 2018:1).

Informal employment is, by definition, precarious employment. The central policy challenge is to improve working conditions and security *and* increase incomes. The informal economy in general, and the informal sector within it, has largely fallen through the policy gaps post-apartheid. With respect to informal sector policy and legislation for example, a recent detailed analysis of local, provincial and national responses since 1994, concludes this has been a mix of 'repression, omission and ambiguity' (Skinner 2018: 412).

This panel will start by reflecting on the latest data on South African informal employment including trends over time (Prof Rogan). It will go on to illustrate our policy approach through the lens of two worker groups – waste pickers (Pillay) and street traders (Skinner). These inputs will trace the links between the formal and informal economies and current experiences of the state so identifying priority points of policy and legislative reform, and leverage. Policy reform, however, is the upshot of political buy-in and pressure. Key to this is voice within policy processes for, and collective action among, informal workers. The panel concludes reflecting on the current engagements on implementation of ILO Recommendation 204 (Transition from the Informal to the Formal Economy), and its relationship to organising informal workers in South Africa (Barrett). Together this content suggests a comprehensive and progressive approach to the South African informal economy.

2 Jobs impact

Indicate the impact on employment of the proposal and what is required to make sure that there will be a positive impact on employment. Please also indicate other anticipated benefits from the proposal, if any.

In South Africa, and globally, the informal economy is one of the few areas of employment growth. Many women and men have no choice but to work under precarious conditions – creating their own employment in the informal sector as own account workers, finding employment within informal and formal sectors or in households, largely as domestic workers. As noted informal economy policy needs to simultaneously tackle poor working conditions and increase incomes. Everyday examples of precarity are street vendors goods being confiscated, spaza shop owners being subject to onerous zoning requirements, recyclers being denied access to waste, domestic workers being paid poverty wages, bead makers livelihoods being threatened due to their primary input being subject to currency fluctuations. The panel provides a conceptual framework to deal with the dual challenge and highlight priority areas of policy reform. The impact of informal employment on poverty alleviation in South Africa has been established (Cicello and Rogan, 2018).

The panel reflects a range of ongoing informal economy policy, organising, advocacy and research efforts both within and outside the state. **The Jobs Summit process holds the**

² Stats SA define the 'informal sector' as employees working in establishments that employ fewer than five employees and who do not deduct income tax from their wages and employers own account workers and persons helping unpaid in their household businesses who are not registered for either income or value added tax (2018: 16).

hope of cohering these multiple initiatives into a sustained and effective informal economy policy approach. This panel is a first step in this process, concentrating on the current status quo.

Examples of current policy processes: the NEDLAC process of implementation of the International Labour Organisation's recommendation of R204 on formalising the informal economy and the South African Local Government Association's process of compiling informal economy guidelines.

Examples of organising efforts: In towns and cities across South Africa, informal workers act collectively. This is increasingly aggregating up to national alliances of informal worker organisations notably the South African Waste Pickers Association (SAWPA); the South African Informal Traders Association (SAITA) and the South African Domestic Service and Allied Workers Union (SADSAWU). These efforts are supported by international alliances - StreetNet and the International Domestic Workers Federation (IDWF). (Many of these organisations are members of WIEGO). All four federations have informal workers as members of their affiliates in a range of sectors. COSATU has a track record of work on informality through the vulnerable workers working group while SAFTU are including informal workers as a core constituency.

Examples of advocacy: Waste picker and street vendor struggles notably challenging the denial of access to waste for waste pickers or the constitutionality of confiscating street traders' goods. This includes important and ongoing litigation by the Socio-Economic Rights Institute and Legal Resources Centre among others.

Example of research: There is ongoing analysis of Stats SA informal economy statistics, good practice documentation in SA and globally as well as developing alternative policy and conceptual frameworks – in economics, social policy, labour and administrative law and urban policy and practice.

3 Theory of change

Please provide no more than half a page that indicates in practical terms, how the proposal would work – what has to be done, what the outputs would be, how that would lead to the desired outcomes.

Rather than one proposal, this panel reflects multiple ongoing work streams suggesting an overall approach to the issue of informal employment as well as sector specific proposals. With regard to specific proposals WIEGO can outline what has been done, what needs to be done, and the associated outputs including how this would lead to the desired outcomes, post the panel.

4 Existing initiatives/experience

Indicate if the proposal has been attempted or piloted, and broadly what was learned.

Our work is informed by existing inclusive approaches both from South Africa and elsewhere. WIEGO's as a network of researchers, advocates, practitioners and membership-based organizations of informal workers spanning 63 countries, draws on wide

ranging international experience. WIEGO has substantial documentation of good practice (see <http://www.wiego.org/publications-resources>). Priority approaches will be identified in the presentations and discussion. Lessons from appropriate cases can be elaborated on during and post the colloquium.

5 Constituency participation in implementation

What is the potential for constituencies to participate in the implementation of the proposal.

Key national government departments are the Departments of Labour, Small Business Development, Economic Development, Environment and Tourism, Social Development, Cooperative Governance and Traditional Affairs and Treasury. Local government are critical players in shaping environments for informal workers with SALGA being a key ally. Current engagement with this issue is patchy – what is needed is to aggregate existing initiatives into a coherent approach and upscale it.

Key to success is involvement of worker-based movements of informal workers. As noted above informal workers are increasing acting collectively and this is aggregating up to national alliances of informal worker organisations with support from national and international federations. Informal worker organisations have representation within NEDLAC structures largely in the community rather than the labour constituency.

6 Benefits

What social/economic groups would benefit from the proposal directly and indirectly? Please use the following table, and do not list more than 5 groups. Please describe the benefits as precisely as possible.

Group	Job creation*	Other benefits	Time frame for success
Street vendors	This is difficult to predict but figures above show increases in informal employment.	Greater work and livelihood security (e.g. reduced threat of evictions), better work conditions and increased	Dependent on pace of legislative and policy reform but most importantly
Waste pickers			
Home based workers			
Domestic workers			

Group	Job creation*	Other benefits	Time frame for success
Workers employed in multiple formal economy firms but under precarious conditions		income. Impact on poverty alleviation.	actual implementation.

7 Cost and potential sources of funding

What social/economic groups would bear the cost of implementing the proposal directly or indirectly? Please use the following table, and do not list more than 5 groups. Please describe the costs as precisely as possible. In the case of financial costs, who would pay them?

There are existing state funds allocated to supporting informal workers within both national and local authorities. Often these are uncoordinated, insufficient and sometimes spent on destroying livelihoods – recent attacks on waste pickers in Johannesburg and ongoing removals of street vendors and closure of spaza shops being cases in point. In addition, some of the allocated funds go unspent. For example, the Department of Small Business Development (DSBD) has funds available for developing infrastructure for informal economy through the Shared Economic Infrastructure Facility (SEIF) programme. In their June 2017 report to parliament the DSBD reported R46 million underspending³. Local authorities need to apply for these funds and be prepared to pay 50%. A factor in underspending is likely to be lack of know or capacity particularly smaller local authorities.

Implementation will rely heavily on progress being made in current R204 processes which are being lead by the DoL. However insufficient resources have been set aside for the convening of various committees tasked with taking the process forward. For example, currently, participation of informal worker organisations is being funded by the Nedlac Community Constituency budget, but this is a very limited budget and needs either to be topped up, or alternative sources found within government.

The activities of MBO's of informal workers and WIEGO's work itself is currently covered by own resources (e.g. membership fees) and local and international donor funds. However, the MBOs do not have sufficient resources to convene independent national mandating and report back meetings to feed into the processes described. Additional funds are required for this – preferably channelled via Nedlac.

8 Risks

What are the main risks that would prevent the proposal from achieving the anticipated outcomes? Describe *at least two*.

³ See <https://pmg.org.za/committee-meeting/24671/> and <https://mg.co.za/article/2017-03-10-00-small-business-fails-to-spend-budget-yet-zulu-wants-more-money>

The first risk is that the informal economy continues to be marginalised in the policy debate - seen issue requiring a few welfare measures or simple component of small business policies requiring at best tailor-made training and credit.

Due to low barriers to entry, the informal economy is a source of employment for foreign economic and political refugees. Post-apartheid experience has shown, in the face of state failures, foreign migrants are easy scape goats. Xenophobic sentiments, within and outside the state, are a key risk in securing a progressive stance on the informal economy. Anti-foreign sentiment has been a key driver of punitive approaches (e.g. the Draft Business Licensing Bill) that are destructive to South African and migrant operations alike.

9 Risk mitigation

What should be done to mitigate the identified risks? Which stakeholder would be responsible for the risk mitigation activity?

Mitigating against continued marginalisation of informal economy issues requires multiple departments across levels of government viewing the informal economy, not a marginal add on, but as a priority issue and co-ordinating their approach and priorities (including resource allocation) accordingly. Achieving this is a political process. MBO's of informal workers having greater voice and wielding increased power are key. Informal worker movements are getting stronger and more vocal. WIEGO works alongside these movements providing technical expertise and solid evidence that inclusive approaches are both possible and desirable.

10 Additional comments

References:

International Labour Organization. 2018. [Women and Men in the Informal Economy: A Statistical Picture](#), Third edition. International Labour Office, Geneva.

Cichello, P. and Michael Rogan, M. 2018. Informal sector employment and poverty in South Africa: identifying the contribution of 'informal' sources of income on aggregate poverty reduction. for edited volume *The South African informal sector: Creating jobs, reducing poverty*, by F. Fourie, Cape Town: Human Sciences Research Council.

Statistics South Africa (2018) *Quarterly Labour Force Survey*, Q1 2018.

Skinner, C. 2018. Informal Sector Policy and Legislation in South Africa: Repression, Omission and Ambiguity, in *The South Africa's Informal Sector: Creating Jobs, Reducing Poverty*, edited by Frederick Fourie, Cape Town: Human Sciences Research Council.