



## Chapter 10

# Income Inequality, Employment, and the Informal Sector

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### Introduction

The most critical social and economic ills of South Africa are often listed as a triad: unemployment, poverty, and inequality. These phenomena and how they are defined and measured are dissimilar, and often analysed and studied separately.<sup>1</sup> However, in essence, they measure and capture the dimensions of the same phenomenon: the critical challenges of a developing country. In a post-apartheid South Africa 30 years after 1994, these challenges remain intense and unrelenting – and sometimes overpowering, as witnessed in high and increasing rates of unemployment and persistent high inequality.

This chapter considers these challenges in a specific spatial-urban context, i.e., the townships adjacent to towns and cities across the country. Intuitively, when one observes life and economic activity in townships, one witnesses the manifestations and roots of all three ills, i.e., unemployment, poverty, and inequality. These ills are ingrained in – and indeed lie in – the township areas of every metro, city, and town. It is especially noticeable in towns and villages in the *platteland* (countryside), where an archetypal divided twin-town situation is often signified by separation by a main road or railway line. Importantly, this separation also exemplifies (and maintains)

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1 Fourie (2011) provides a systematic overview of the South African academic, research, and policy debate on unemployment, and shows that the debate is segmented – even fragmented – into at least three different analytical ‘worlds’ that primarily operate in silos.

income, wealth, and job inequalities *within* each town-and-township economy.

A ubiquitous symbol of this inequality is the street trader, mostly selling food-related items from a meagre table or stall in a township. At the same time, one can observe the prevalence of many other kinds of micro- and small businesses in townships. Some of these are clustered in main streets and ‘hot spots’ (pedestrian and transport concentration points), but most are located throughout township residential areas. The largest group is retail shops, mainly in the grocery, food, and liquor sectors (spaza shops, tuck shops, taverns). However, many are in the services sector (haircare, shoe repair, appliance repair, phone repair, tailors, auto repair, computer training, etc.) as well as manufacturing (dressmaking, woodwork, metalwork, etc.) and construction (e.g., building trades, building material, hardware stores).<sup>1,2</sup> Some may be formal businesses, but most are informal – i.e., unregistered – businesses.

This informal sector has variety, aspirations, perseverance, struggles, and hardship. Its present and potential role in providing employment and addressing poverty and inequality is the focus of this chapter.

## **Economic Conditions in Townships: Poverty and Unemployment – And the Need for Jobs**

Statistical evidence clearly shows that poverty and unemployment have been – and still are – worse in townships compared to other urban areas. The locational dimension of poverty, inequality, and unemployment incidence has been well documented: “Socioeconomic data show clearly that most township residents are poor, and the unemployment rate is very high”.<sup>3</sup>

A special World Bank publication<sup>4</sup> gives insight into the township economy in South Africa. It provides labour-market and poverty indicators for four major settlement types: urban townships, informal settlements, other urban areas, and rural areas. The data show that the official (narrow) unemployment rate in urban townships is consistently higher than in any other area – and higher than for the country.<sup>5</sup> The *broad* unemployment

rate in urban townships is also higher than in any other area except rural areas (whereas 'rural areas' presumably include rural towns and their townships).

As far as poverty is concerned, in urban townships, poverty rates (the poverty headcount at various poverty lines) are higher than in other urban areas except for informal settlements.<sup>6</sup> Rural areas display the highest poverty rates by far, reflecting the situation in commercial farming areas, in towns and townships in such farming areas, as well as in towns and villages in former homeland/bantustan areas.

That research also shows that, in urban townships, a significant share of income (64%) comes from wage jobs; social grants have become a second important source.<sup>7</sup>

## **From Poverty and Inequality to Jobs in Township Businesses**

An essential and common element in both inequality and poverty in South African townships is the vast number of people with meagre incomes – due to joblessness or access only to low-paid wage employment. This explains high poverty rates but also the vast gap between the poorest and the richest in terms of income; this gap is the crux of income inequality.

If the economic position of poor households and individuals in townships can be improved, it would reduce inequality and poverty rates 'from the bottom up'. Some form of regular income from regular employment will make a significant difference. Apart from the public sector, such wages can be earned in households (domestic work), agriculture (farm work), and private businesses. Here, it is essential to remember that, in a private business, three groups – owners, managers, and employees – receive earnings (business income, salaries, and wages).

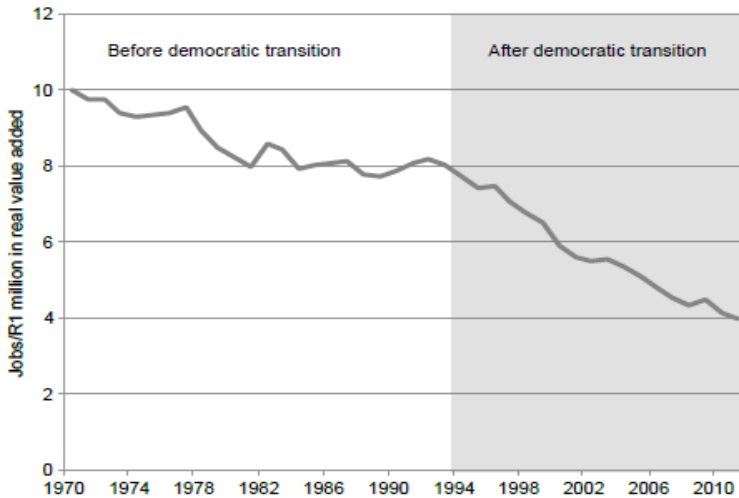
Typically, and traditionally, townships have not been regarded by decision-makers as places where jobs in businesses are essential. Townships were originally, and perhaps still are, regarded mainly as a convenient source of labour. From there, workers commute to the factories and businesses in the cities

to work in the *formal* economy. Accordingly, the township is not a place to work, but a place to sleep, a '*slaapstad*' (sleep city): a *labour pool* for the benefit of the formal business sector and households in the city – and decidedly not a *jobs pool* or employment pool.

Job creation by the formal business sector (private sector) in a growing economy is the *most agreed-upon* prescription for employment growth. It is essential. However, while pursuing high and employment-intensive growth is hugely important, waiting for high growth to create enough jobs has become a significant frustration, even a debilitation.<sup>8</sup> Attempts to fine-tune and turbo-boost the formal-economy 'engine of growth' to absorb more labour seems to be fundamentally constrained by economic, human-resource, governmental, public-service, political, and geo-political factors. Despite many policy initiatives, the required implementation, outcomes, and growth rates still need to be achieved. South Africa's GDP growth is not – and has not been – very employment intensive. Despite decades-long policy efforts to change that, declining employment intensity over time is expected in South Africa.<sup>9</sup> Essentially, this is due to the labour-saving impact of technology and increasing capital intensification. Figure 1 shows this trend for the manufacturing sector.

It is unlikely that growth in the formal economy alone will (ever) absorb sufficient numbers of workers to reduce unemployment significantly. Economic policymakers and decision-makers at all levels of government must look at additional options for generating employment and self-employment for unemployed people.

A consistently overlooked option is to increase private-sector (i.e., business-sector) employment *in the townships* – in tandem with efforts to boost employment in the mainstream formal business sector. This would mean producing jobs primarily for owners and employees in informal enterprises.



**Fig. 1** The ratio of formal employment to gross value added for South African manufacturing, 1970–2011. *Source: Black & Hasson (2016)*

- Informal businesses are basic microenterprises not formally registered as an enterprise or company or for tax, etc. Most are pretty vulnerable.
- The informal enterprise is the most common form of business in townships, even though many township businesses – especially in cities and metros – are formal businesses.<sup>2</sup>
- Many informal businesses are one-person enterprises (i.e., without employees).<sup>3</sup> However, as the statistics below show, the informal sector contributes significantly to paid employment in South Africa.

2 For a hands-on picture of the township economy in South Africa, see Charman *et al* (2021) and Alcock (2018).

3 The case of an informal one-person enterprise, i.e., one without employees, is sometimes called ‘self-employment’. It is a misnomer, since it disregards the fact that this is a *business* with a business owner-operator. (The owner also functions as the sole worker – thus executing two roles.) ‘One-person enterprise’ is a business-size category, not an employment category. In any case, a professional accountant or attorney working alone is also ‘self-employed’. ‘Self-employment’ does not uniquely signify informal or township enterprise cases.

From this perspective, initiatives are required to develop a vibrant, informal microenterprise sector (in townships and elsewhere) alongside and with the formal business sector – a two-pronged approach to job creation. Sadly, this has not been the case – the informal sector is not in the mainstream of economic policy thinking and practice.

**The case of street traders on crowded sidewalks and walkways** very close to formal businesses (in city centres, for example) presents a complex, problematic, and often tense situation. For formal business owners and their customers who regularly experience a strained situation in a confined spatial context, supporting informal businesses tends to provoke a frown.

A few comments are in order. First, such negative perceptions and assessments should be generalised to only some of the informal sector. It concerns a particular spatial-urban situation. Secondly, the expectation of informal business owners not to be harassed without legitimate reasons needs to be recognised, as should the expectation of formal businesses for an orderly state of affairs. A balance needs to be found.

However, the problem needs solving more informally in these cases. It is about property rights, business rights, territorial rights, and respect – especially in urban and intra-city contexts.

The controversy in such situations is often complicated by the presumed foreign citizenship or, especially, the illegal immigrant status of many such street traders. These matters need to be taken more seriously.

Following an overview of inequality in South Africa, amongst options for addressing inequality, notably in the spatial-urban context, Makgetla (2020)<sup>10</sup> says that, in the short run, the most significant impact can be achieved through “initiating support for small business, including through ... support for township enterprise”. She proposes a dedicated fund “to provide infrastructure, services, and financial support for new business

centres in townships or industrial sites near them”<sup>11</sup> – although she may not necessarily have had informal enterprises as such in mind.

It must be recognised that there is a deep-rooted negative appointed informally in many government institutions and labour unions. Much of it can be traced to the views of the International Labour Organisation. This is rooted in a concern about informal workers *in the formal sector*, i.e., workers that are employed in formal businesses without contracts, benefits, or worker rights in *formal* businesses. However, to summarily extend that concern to the case of informal microenterprises is conceptually erroneous.<sup>12</sup>

A World Bank (2018)<sup>13</sup> assessment of the drivers, constraints, and opportunities to address poverty and inequality in South Africa provides some pertinent pointers. Having assessed and analysed recent policy interventions by the government, such as the employment tax incentive and the national minimum wage, they find that “their impact on inequality, and thus on poverty, is very modest”. And then: “Creating good jobs for the poor will have a much larger impact on inequality and poverty”.<sup>14</sup>

It continues: “Employment and labour earning is a strong avenue out of poverty. The importance of the labour market in lifting a household out of poverty can be seen when examining the drivers of escaping poverty”. Amongst these, finding a job and earning more income substantially affects moving a household out of poverty.<sup>15</sup>

The lack of labour income – the lack of jobs – is the most significant cause of poverty and inequality. Thus, the most productive avenue to reduce poverty and inequality is to support processes and institutions in the public and private sectors that lead to employment. The question is: can this be accomplished in *the informal, private sector*?

## **The Scope and Potential for Job Creation and Income Generation in Informal Enterprises**

### **The importance of getting beyond ignorance**

For the uninitiated, the concept of the informal sector could be more precise. This is true of those who do not live in townships but also many local and national politicians, policymakers, and businesspeople. Many of these tend to see the informal sector as one or more of the following:

- ... mostly made up of street traders and waste pickers;
- ... mostly 'own-account workers' without employees;
- ... at most having a few unpaid family members 'helping out';
- ... mostly with few skills;
- ... merely 'survivalist';
- ... without entrepreneurial ambitions;
- ... not worth spending effort, time, and money on to support;
- ... not having much potential unless or until they become formalised;
- ... tax evaders that do not contribute to the fiscus;
- ... part of the 'underground' or 'shadow' economy, avoiding regulations and the law;
- ... an 'illegal' economy, dealing criminally in stolen goods or illegal substances.

Are these assumptions correct? As shown below, the factual situation is very different.

### **Policymakers: from neglect to a careful toe in the water**

Primary economic policy documents largely ignore the informal sector, e.g., the National Development Plan and various stimulus

packages and job summits.<sup>16</sup> When ‘township economy’ is mentioned at all, it is often concerning the development (or resuscitation) of industrial parks, in which *formal-sector* industries are established close to townships to create jobs for the township residents – yet again, as labour-pool residents. While the Department of Small Business Development (DSBD) has been rolling out the National Informal Business Upliftment Strategy (NIBUS) since 2014<sup>17</sup> – combined with smaller related support programmes – it has a shallow profile. There is limited awareness of and utilisation of its support programmes among informal business owners. Its impact on informal businesses seems to be very limited.

This suggests that national policymakers do not take this sector seriously as an integral part of the ‘business sector’ or as part of the ‘solution’. Such decision-makers often share some of the perceptions listed above, revealing a thorough lack of knowledge of the nature and substance of the informal sector. Indeed, informal sector policy and legislation have been described as a mixture of repression, omission, and ambiguity.<sup>18</sup>

There might have been a change during the COVID-19 period: a sudden realisation of informal enterprises’ importance in distribution and providing employment and income. Even the president has explicitly mentioned the informal sector several times.

In addition, while not focused on the informal sector, the National Treasury is currently (2020–2023) funding a multi-year Township Economic Development (TED) project (as part of its Cities Support Programme, or CSP). The TED project has engaged a team of technical specialists<sup>4</sup> to assist five selected metros in developing suitable TED strategies in one township per metro. The metros are eThekweni, Tshwane, Ekurhuleni, Nelson Mandela Bay, and the City of Cape Town. The chosen townships in these metros are Pinetown South, Hammanskraal, Thembisa, New Brighton, and Delft.

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4 The Sustainable Livelihoods Foundation has been appointed the expert service provider in the TED project.

The TED Inception Report listed the focus areas as human settlements, public transport, public utilities, strategic planning, spatial planning, environmental affairs, urban management, and economic development.<sup>19</sup> Township economic development is one component, but most of the activated elements in the TED project seem to be focused on local government services, public facilities (e.g., trader markets), and infrastructure. While these are important to create an enabling environment, direct business development support is crucial. However, in relative terms, direct business support and development seem less of a priority, even though the participation of the DSBD and small business support agencies (SEDA, SEFA) are mentioned. In the subsequent list of planned projects in each township, the enhancement and support of microenterprises are featured in only two cases, i.e., Delft and Hammanskraal.<sup>5</sup>

What is more or less absent (except for one township case report) is a clear recognition by local government role players of the specific challenges and support needs of informal enterprises that flow from the conditions of *deep informality*. These conditions preclude most informal microenterprises from eligibility for government support programmes such as NIBUS and its sub-programmes. “Characteristics such as formal business registration, necessary permits, and documentation are commonly not in place for informal business, yet are required as minimum conditions for support.”<sup>20</sup> This apparent orientation of the TED project is also revealed by the fact that the prominent policy component is “formalisation policies for certain sectors such as spaza shops, taverns, and educare centres”.<sup>21</sup> (The intricacies of formalisation – and, specifically, the need for *intelligent* formalisation – is discussed below.)

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5 A 2023 TED Overview Report notes the following specifics: Furniture manufacturers in Delft were provided with technical and product skills development training. Creative industry businesses in Hammanskraal were provided with business skills development training. Digital entrepreneurs in Thembisa were provided with training and mentorship.

### **The knowledge gap and need for better information**

In the academic sphere, such as data analysis and research on employment and unemployment, the informal sector has only been researched recently. A decade ago, analysed information of the sector was identified as a gap in the research framework and output of macroeconomists, labour economists, development economists, poverty analysts, and policy analysts alike.<sup>22</sup>

To address this gap, a research project, the Informal Sector Employment Project (ISEP), was launched in 2012 to thoroughly investigate the size, scope, and nature of the informal sector in South Africa. It was part of a larger national research project, REDI3x3, on unemployment, inequality, and inclusive growth.<sup>6</sup> A multi-disciplinary team investigated various aspects of informal enterprises and the informal sector: its measurement, official statistics, size, scope, structure, geography and spatial dimensions, ownership, profitability, entry and exit, employment and job creation, impact on poverty, main problems and challenges in the national context as well as on a micro-level in regions, sectors (including commercial farming), cities, towns, and townships.

The collective findings of the team of South African and international researchers, published in Fourie (2018),<sup>23</sup> significantly raised the level and sophistication of information and analysis of the dynamics and constraints of the informal sector. These findings relate mainly to the informal sector's actual and potential role in reducing unemployment and poverty in South Africa, as well as recommended policy and other interventions.

Also important have been the pioneering contributions of the Sustainable Livelihoods Foundation (SLF), particularly by

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6 The REDI3x3 Treasury funded the National Project and is based at SALDRU, at the University of Cape Town. The author was the research co-ordinator of the project as well as the convenor of the employment and unemployment focus area and a component called the Informal Sector Employment Project (ISEP). The outcomes and findings of the ISEP sub-project, with chapters covering a wide range of aspects of the informal sector, can be found in the collective work of Fourie (2018). Green (2023) provides an overview and integrated assessment of the large number of research papers produced in the REDI3x3 Project.

Andrew Charman and colleagues. Since 2010, they have carried out detailed business censuses in selected townships to pinpoint the numerical, locational, and sectoral characteristics – at ‘ground level’ – of the informal businesses in the chosen areas.<sup>24</sup> Their findings provide a fantastic range of detailed information and perspectives that were never available before – including insights into ways to support such enterprises.<sup>7</sup>

Armed with this information, one is much better placed to answer the question of the scope and potential for job creation and income generation in informal enterprises in South Africa.

## **Towards an Understanding of the Data: Basic Definitions and Distinctions**

### **What is an informal enterprise? What is the informal sector?**

In South Africa, an informal enterprise is, ironically, formally(!) defined as an enterprise (business) not registered for VAT. Not being registered for a tax like VAT (or income tax) is the leading international criterion for the definition of an informal enterprise.

The informal sector thus comprises all informal enterprises, their owner-operators (the employers), and all employees, paid and unpaid, in all economic sectors (retail, manufacturing, service, etc.). Note that the informal sector does not include domestic workers or subsistence farmers (which is defined as producing agricultural products not for the market but only for its use).<sup>8</sup>

In plain language, informal enterprises are small or microenterprises not registered for VAT at SARS (SA Revenue Service). This is mainly because they have not attained the necessary size, capacity, durability, financial robustness, or administrative and business proficiency to formally organise and constitute a company that can be registered as a ‘for-profit

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7 The Sustainable Livelihoods Foundation (SLF) is the central contracted expert institution running the National Treasury’s TED project.

8 Official Stats SA data list formal and informal agriculture separately.

company' at the Companies and Intellectual Property Commission (CIPC).<sup>9</sup>

An informal microenterprise or small business has a specific character. It has typical business characteristics and functions, although it remains *informal*. Usually, the informality is due to excellent reasons. They are lacking in areas such as skills levels, business competence, financial capacity, suitable premises, access to banking and financial services, capital resources, marketing know-how, human-resource know-how, access to government support programmes, etc. amidst constrained local business and market conditions (in a township, say).

An intuitive and common-sense understanding is that they are seedling enterprises, embryonic enterprises – or emerging enterprises, or pre-formal enterprises. As we will see, most informal enterprises are one-person enterprises, but many are multi-person enterprises with paid employees (between two and three, on average).

This perspective suggests that informal enterprises should be seen from a developmental perspective as being in a particular stage or position in a developmental trajectory from an embryonic, seedling, or toddler enterprise, later becoming a 'teenager' and then an 'adult' enterprise. In this last stage, such an enterprise becomes a formal small business – including transitioning to a fully registered, private company – with the necessary permits or licenses, financial statements, and bank accounts registered for tax.

Ironically, only then would their documentation qualify them for access to most government informal-sector support such as training, financing, etc. The qualifying criteria are a significant obstacle (or flaw?) in current government support programmes. A developmental perspective on informal enterprises should be the foundation of policy design, policy support, policy implementation, and the activation of applicable regulations and legislation. It should also underpin a committed

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9 The CIPC is an agency of the Department of Trade and Industry in South Africa. Companies must register with the CIPC before registering with SARS for an income tax reference number.

concern with supporting employment creation in the informal sector – whether by policymakers or community initiatives in towns and cities. This is discussed further below.

**Conceptual alert: Informal-sector employment is not equivalent to ‘informal employment’.**

These two concepts are frequently misused, which leads to confusion regarding measurement, policy approaches, regulation, etc.

The concept of informal employment is a much broader concept of informality. Essentially, it deals with informality regarding the employment conditions of *employed workers*. This approach is found in most International Labour Organisation (ILO) documents. It is predominant in South African policy circles and organised labour (e.g. Cosatu). Its primary concern is that employed workers in the formal sector often need more secure formal contracts and benefits such as pensions and medical insurance. (Measured informal employment also includes domestic workers without contracts and benefits.)

From this perspective, increasing informality is an undesirable aspect of employment conditions in the formal sector. The remedy would be to *reduce* such informality.

When this concern over informality of *employment* is summarily carried over to the informal sector – where the *entire enterprise is informal*, including the status of the owner/manager – the answer would be to shrink the number of informal enterprises! The ‘obvious’ remedy then is to formalise all informal enterprises (even though approximately 80% of informal-sector enterprises in South Africa have no employees that could have poor employment conditions).

This conceptual confusion explains much of the negative attitudes towards informal businesses found in government and some local and international NGOs, whose preferred intervention is the extension of significant social protection

and basic income grants to all informal workers. Growing employment is different from their goal.

### **What information is available on the informal sector?**

Statistics on employment and unemployment rates from the Quarterly Labour Force Survey (QLFS) of Statistics SA are reported regularly in the media. It also provides quarterly estimates of total employment in the informal sector. However, it has no information on informal enterprises as such. Fortunately, the QLFS has a lesser-known sibling – the oddly named Survey of Employers and the Self-Employed (SESE). The SESE is a national survey by Statistics SA (Stats SA) of the owners of enterprises that are not registered for VAT (irrespective of firm size).<sup>10</sup> Usually, it is done every four years. It primarily captures informal enterprises. Essentially, SESE is a national survey of informal enterprises in South Africa.<sup>11</sup> It is a rich source of information on employment data and the characteristics of informal firms and their owners. As such, it complements and frames findings from local-area or case-study work in individual townships, towns, and cities.

The SESE Report (Statistical Release P0276 of Statistics SA)<sup>25</sup> is an accessible source of information for non-experts. For the reader's convenience, the analysis below will mainly quote from the most recent SESE report, complemented by a deeper analysis of SESE data where necessary. (A private data source to note is the FinScope SMME Survey, which is published occasionally. Though its definition of the informal sector differs from the standard definition of Stats SA, results for the non-

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10 It is possible to exclude some enterprises registered for income tax to get 'pure' informal enterprises only; see Fourie (2018a:112.)

11 The survey has been done every four years since 2001 up to 2017. (The 2021 survey was disrupted by the COVID-19 epidemic and was postponed to 2023.) In practice, the SESE follows the quarterly labour force survey (the QLFS). Owners of enterprises are identified in the household questionnaire of the QLFS. After that, the identified owners are contacted for potential interviews. Those owners whose enterprises are not registered for VAT are then interviewed with a separate SESE questionnaire to collect informal enterprise information. The data on the behaviour of the enterprises can be linked to the owners' household and personal characteristics via the owners' data in the QLFS.

SARS-registered component are roughly comparable to the Stats SA results for informal enterprises.<sup>12)</sup>

To form an informed analytical picture of the informal sector from the national data (notably about job creation), a few essential distinctions between concepts (and clarifications of others) are made:

- We will first distinguish between firms with employees, i.e., *employing firms* (multi-person enterprises) and *non-employing firms* (one-person enterprises).
- We will distinguish between *paid* and *unpaid* employees.
- Firms growing their employment (including one-person firms that grow beyond one person) constitute an important group.
- New entrants (new businesses) constitute another vital group for employment creation. In particular, the entry (or 'birth') of viable one-person firms is an essential provider of new employment, even if they do not have employees (yet).

## The Factual Situation: What Do We Know?<sup>13</sup>

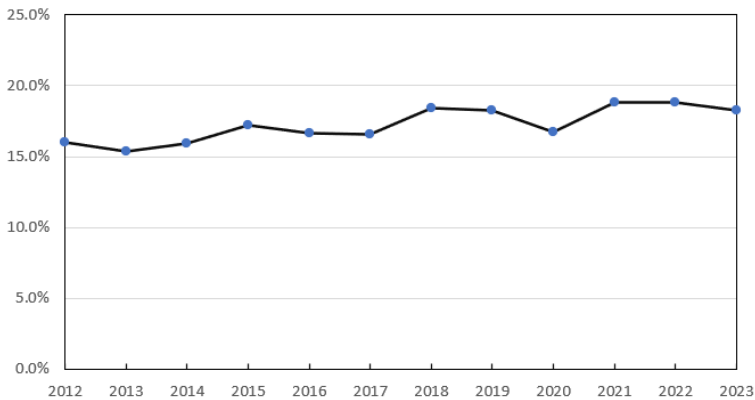
### *Numbers and trends in brief*

First, a few key numbers:

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- 12 For 2020, FinScope (2020) estimates 2.62 million micro, small, and medium enterprises in South Africa. Of these, 70% are not registered with SARS, i.e., about 1.83 million. This number fits neatly between the 2017 and 2023 estimates of the size of the informal sector with SARS data. FinScope also produces valuable information on the extent of financial access and inclusion. FinScope (2020) estimates the 2020 annual contribution of the informal sector to be R147 billion. This likely is an underestimation, perhaps by up to 20%, since their definition of the informal sector excludes several hundred informal enterprises according to the standard definition. For example, FinScope (2021) appears to classify enterprises not registered at SARS as *formal* if registered at the CIPC.
- 13 A detailed exposition and exhaustive analysis of employment in enterprises in the informal sector in South Africa can be found in Fourie (2018a), with data up to SESE 2013. This chapter contains some of the latest (2017) SESE results and recent QLFS results.

- The informal sector's contribution to GDP has been estimated at 6% for 2017.<sup>26</sup> The 2022 GDP amount of R6.63 trillion would translate to about R192 billion – slightly more than the contribution of the formal agriculture, forestry, and fishing sectors.<sup>27</sup>
- In 2023, about 3 million people will earn money by working in about 2 million informal enterprises in townships and elsewhere (see Table 1 below).
- In 2023, about 18.5% of those worked in the informal sector – almost one out of every five working persons.<sup>28</sup>

Figure 2 shows the trend from 2013 to 2023 (with a notable fluctuation in the COVID-19 period). The share of informal-sector employment in total employment has increased from 16.1% in 2013 to 18.5% in 2023.



**Fig. 2** Informal-sector workers' share of total employment 2013–2023 Source: Stats SA, Quarterly Labour Force Trends, 3<sup>rd</sup> quarter figures

In absolute numbers, this reflects an increase of 28% in informal-sector workers in 10 years, compared to 11% in total employment. This may be due to many reasons – some good (like growing entrepreneurship), some undesired (like a floundering national economy). Still, this growing economic sector has

not received adequate, substantial policy support for informal microenterprises.

### **Employment levels and shares: some more detail**

Table 1 provides SESE numbers for recent survey years and QLFS-based numbers for 2023.

The various numbers over several years show that the informal sector is an essential source of employment – and paid employment – in South Africa. Amidst fluctuations, total employment in the informal sector has grown, as has the number (and proportion) of paid employees.

Amidst fluctuations, since 2009, the total number of enterprises has grown substantially – including one-person and multi-person enterprises. Over the three SESE survey years, the proportion of employing firms has averaged 20%, i.e., there is an approximate 80:20 ratio between the numbers of enterprises in these two categories.

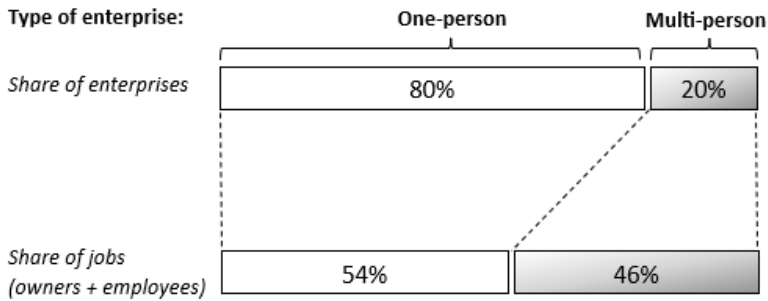
An important statistic about the 20% employing firms is that these multi-person firms (currently numbering 350 000–400 000) have provided *paid work* to more than 1 million workers in 2013 and 2017 – and likely also in 2023, given the QLFS total for that year.

For the three survey years, on average, 46% of those working (as owners and employees) in the informal sector work in 20% of multi-person enterprises (i.e., firms with employees). Figure 3 shows this pattern:

**Table 1** Number of informal (non-VAT registered) enterprises and employees

(thousands)	2009 SESE calc.	2013 SESE calc.	2017 SESE report	2017 SESE calc.	2017 QLFS report	2023 QLFS report
Total enterprises:	1 137	1 601	1 793	1 890		
One-person firms	926	1 215	1 440*	1 583		
Multi-person firms	211	386	353*	308		
Share of firms:	18.6%	24.1%	19.7*	16.3%		
In multi-person firms:						
Total number of employees:	540	1 055	761	n.a.		
Paid employees:	445	831	674	695		
Paid workers (owner plus paid employees):	656	1 217	1 027	1 003		
Total working in the informal sector	1 677	2 656	2 554	2 586	2 689	3 029
Share of total employment:	12.1%	18.1%	15.8%	16.0%	16.6%	18.5%
Total employment formal mining sector (QLFS)	326	403	434	434	446	444
Total employment South Africa (QLFS)	13 830	14 692	16 192	16 192	16 192	16 346

Source for SESE & QLFS: Statistics South Africa. Also, SESE 2017 Table 16. 'SESE calc' denotes own calculations from SESE data downloaded from Stats SA. Thanks are due to Gibson Mudiriza for assisting with the calculations in Stata. \*Results from Stats SA (2021) Fig. 3.1



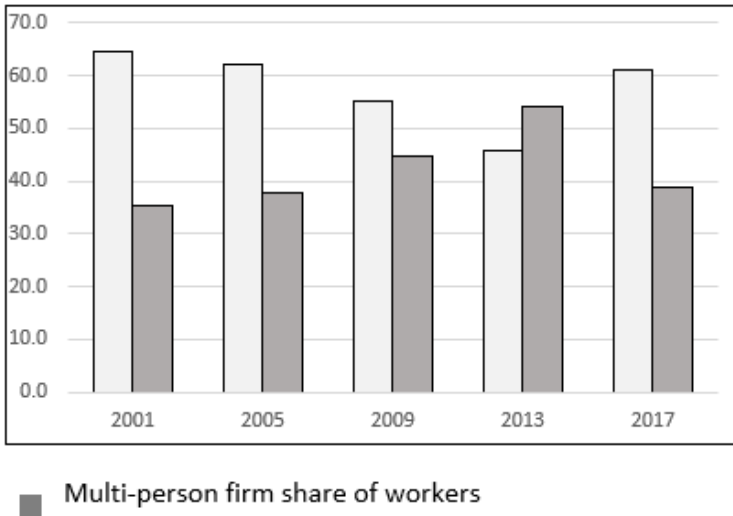
**Fig. 3** Average share of employment and enterprises: one-person and multi-person informal enterprises 2009–2017

The proportion of paid employees in these firms has also been rising. The 2017 SESE report shows growth from 65% paid employees in 2001 to 89% in 2017.

Typically, fewer unpaid family members are ‘helping out’ in these informal businesses. This again suggests that informal businesses are increasingly operated as institutions separate from households – a significant development.

Moreover, the 20% multi-person enterprises provided about 1.2 million paid jobs for their workers (owners and employees) in 2013, just above 1 million in 2017 – and perhaps 1.15 million in 2023. This means that, on average, the number of paid workers (owners plus paid employees) in the informal sector has been more than twice the total employment in the formal mining sector in South Africa. In 2023, this multiple may be as high as 2.5.

Another perspective on the employment pattern in the informal sector is provided in Figure 4. For several years, it shows a growing proportion of people working in multi-person enterprises (rather than one-person enterprises). There is a sustained and significant increase from 35.4% in 2001 to 54.2% in 2013. (After that, it decreased to 38.8% in 2017. It is unclear what caused the turnaround after 2013, e.g., enterprise vulnerability, or whether it is a statistical aberration in the 2017 SESE data.)



**Fig. 4** Share of persons working in one person and multi-person informal enterprises 2001-2017. Source: SESE2017 data own calculation

### **Job creation through entry and expansion**

A key question is the extent of job creation in the informal sector. How ‘employment intensive’ is the informal sector over time?

On a macro level, Ngunda and Ngalawa (2023)<sup>29</sup> provide statistical estimates of the employment intensity of the non-agricultural informal sector in South Africa. They estimate the employment intensity of output growth for the informal sector to be 1.35. This means that if output in the informal sector in a particular period grew by 10%, employment would grow by 13.5%. Put differently, employment grows faster than output – employment growth is quite responsive (or ‘elastic’) to output growth. This finding for the informal sector contrasts markedly with the indications of low and declining employment intensity in critical parts of the formal economy (see Figure 1 above). In fact,

the informal sector is the second-most labour-intensive sector in the South African economy.<sup>14</sup>

Earlier research<sup>30</sup> provides results on job creation in the informal sector. Over half a million new jobs were created in one year<sup>31</sup> (2013 SESE national data). This came about due to two factors:

- Employment expansion: About 150 000 additional jobs were created by multi-person and initial one-person enterprises. (About 60 000 jobs were lost due to employment cutbacks.)
- Entry of new enterprises: About 380 000 new jobs were created due to about 300 000 businesses starting – both one-person and multi-person. (About 40% of start-ups may close within six months, reflecting early-stage vulnerability.)
- Let us presume that these job-creation numbers are compared to the 2018 Jobs Summit goal of creating 275 000 jobs. In that case, it shows the scale of the contribution that the informal sector could make if supported with appropriate training and policy instruments to sustain its job creation. This job-creation potential of the informal sector must be recognised and tapped sustainably.

## **Notable Characteristics of Informal Enterprises and their Owners**

### **The sectoral diversity of informal enterprises**

The first important point is that the informal sector comprises more than the most visible components, i.e., food street traders, spaza and grocery shops, and other retail trade. The informal sector is as diverse as the formal sector and comprises all industries – almost a ‘normal’ economy profile. Table 2 shows patterns in terms of sectoral distribution.

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14 Ngunda & Ngalawa (2023:3) report research findings of Mkhize (2019) that, for the period 2000 to 2012, in the formal sector, only the finance and business services sector had an elastic (=1.56%) employment intensity of output growth; the other sectors in the economy were inelastic, confirming jobless growth features.

**Table 2** Sectoral distribution of informal firms. Source: SESE 2017 Report (Stats SA 2019)

<b>Sector: (% of firms)</b>	<b>2001</b>	<b>2005</b>	<b>2009</b>	<b>2013</b>	<b>2017</b>
Manufacturing	10.7%	12.1%	9.6%	7.4%	7.3%
Construction	3.2%	5.8%	10.3%	10.7%	12.0%
Trade (wholesale & retail)	69.6%	66.1%	57.0%	54.4%	51.5%
Transport & communication	3.3%	4.4%	3.7%	6.2%	5.8%
Financial services	5.8%	3.5%	3.1%	7.6%	7.9%
Community & social services	6.8%	6.9%	10.5%	13.1%	12.2%

The informal sector also encompasses businesses such as auto repairs, tyre sales and repairs, panel beating, car washing, computer sales and repairs, computer training, cell phone sales and repairs, educare centres, dressmaking, steel work (fences, windows, burglar bars, etc.), glass and aluminium products, cabinetmaking and furniture manufacturing, upholstery, plant nurseries, building enterprises (artisans in several specialties), and so forth. Most employing enterprises are in construction, retail trade, services, manufacturing, and communication.

Table 3 shows the sectoral distribution of employees in informal enterprises.

**Table 3** Sectoral distribution of employees in informal firms. Source: SESE 2017 Report (Stats SA 2019). Employees, not workers – owners not included here

<b>Sector: (% of employees)</b>	<b>2001</b>	<b>2005</b>	<b>2009</b>	<b>2013</b>	<b>2017</b>
Manufacturing	9.2%	11.5%	8.4%	5.5%	8.7%
Construction	15.8%	15.7%	31.7%	22.8%	33.3%
Trade (wholesale & retail)	47.9%	41.5%	27.7%	34.5%	24.4%
Transport & communication	12.0%	4.1%	5.8%	5.2%	8.1%
Financial services	6.4%	14.5%	3.1%	3.7%	6.1%
Community & social services	8.1%	10.1%	20.0%	26.1%	16.6%

Significant sectoral changes have occurred between 2001 and 2017:

- A significant result is that the share of informal firms in the trade sector has shrunk from about 70% of total informal firms 20 years ago to just above 50% in 2017 (Table 3). Growth has occurred mainly in construction (3.2% to 12%) and transport. Financial services and community and social services' shares have grown notably, but manufacturing has shrunk – a somewhat worrying trend.
- In terms of employees, the share of the trade sector (retail and wholesale) has shrunk remarkably (Table 3). By 2017, about three-quarters of employees worked *outside* trade – compared to about half in 2001. Construction has become the largest employer, while 'community and social services' has doubled its share of employees.

The earlier dominance of trade in informal enterprises has diminished. Policy design and interventions such as business support measures must explicitly consider these sectoral changes. In particular, the needs for space and premises for sectors other than retail or food trade are markedly different (see below).

### **How long do informal firms stay in business?**

Given the perception that informal enterprises do not survive very long, it is notable that the proportion of informal firms that have been in business for more than five years has been increasing steadily.

**Table 4** Age distribution of informal firms (SESE 2017). Source: Stats SA SESE 2017 Report

	2001	2005	2009	2013	2017
Firm age distribution: <1 year	24.8%	17.9%	21.3%	20.3%	17.9
1 to 3 years	33.2%	33.6%	25.4%	23.6%	23.0%
3 to 5 years	17.8%	21.1%	16.4%	17.7%	16.4%
5 to 10 years	12.7%	14.9%	18.7%	18.4%	21.2%
>10 years	11.0%	12.4%	18.1%	19.6%	21.4%

The numbers in Table 4 indicate an upward trend in the average age of firms and, thus, their durability and survival. In 2017, more than 42% of the informal firms were older than five years – compared to 23% in 2001.

### **The location of informal enterprises**

A critical dimension of an informal business is its location. Informal businesses are frequently assumed to operate mainly from the home or residential plot, presumably due to limited resources or business aspirations. However, it appears that the locational pattern is much more nuanced.

The SESE questionnaire (question 17) specifies ten locational options. Table 5 shows the results (simplified into three categories):

- Residence-related locations: in the owner’s dwelling (e.g., sharing a family room or at least in a space reserved for the business) or in a separate structure on the same plot;
- Commercial locations (e.g., a shed, factory, or office block); and
- Other locations (e.g., at an open market, taxi rank, street, or mobile business).

**Table 5** Locations of informal firms

	<b>2001</b>	<b>2005</b>	<b>2009</b>	<b>2013</b>	<b>2017</b>
Home-related location	63.6%	57.1%	54.4%	52.2%	42.6%
Commercial location	3.5%	3.8%	4.1%	5.1%	4.9%
Other locations mobile	32.9%	39.1%	41.5%	42.7%	52.5%

*Source: SESE 2017 report. See the report for details and a visual representation.*

Three trends are noticeable:

- The proportion of informal firms at the owner’s home or residential plot has declined markedly – to significantly below 50%. This suggests the business’ growing spatial separation (‘independence’) from the household. This promotes the

- beneficial separation of business finances from household finances (see below).
- The growth under 'other location' reflects that a growing number of informal businesses are doing business in a street or open market or at a taxi/bus rank – or they have no fixed location, running a mobile business.
  - The proportion in commercial locations is growing, but still very low.

The overall picture is mostly unsuitable premises (or no premises). Proper business structures, buildings, and premises in suitable locations are not readily and affordably available to informal microenterprises in townships. It is a crucial shortcoming.

### **Enterprise owner characteristics**

The education profile of informal enterprise owners has been improving steadily. Owners that have completed secondary school (matric) have increased from 15% in 2005 to 22% in 2017 (with a further 9% having had tertiary education). This reflects the general increase in school qualifications in the population. In 2017, 44% had secondary school education below matric. All this suggests a growing general skills level among informal enterprise owners.

The gender composition of owners has also been changing. The sector used to be dominated by women owners, e.g., 56% in 2005. Activists often lamented this as a sign of their inferior social position. However, by 2017, male owners comprised 60%. The gender mix has become close to equal in trade, services, and manufacturing. Males largely dominate in construction and transport and somewhat in finance (65%).

## **Unlocking Employment Potential: The Role of Government Policy**

### **Considerations for effective policy and regulation**

Recently, Ngunda and Ngalawa (2023) provided results showing the relatively high employment intensity of the

informal sector in South Africa. They conclude that “economic policy consciousness about the informal sector ... is necessary to create inclusive mass employment”. The case for more effective policy support for informal enterprises has been made exhaustively elsewhere (e.g., Fourie 2018c; Skinner 2018). Only a few remarks and policy suggestions are noted here.

Firstly, policymakers must overcome the discomfort, even denialism, surrounding informal enterprises. Properly distinguishing informal-sector employment from ‘informal employment’ is an essential first step. If adequately supported and developed, informal microenterprises must be accepted as a legitimate and permanent component of the South African economy – and a significant potential source of employment growth and decent livelihoods.

Moreover, policy support for informal microenterprises can be included to a greater extent within SMME policies, as the government tends to do. Informal enterprises face unique disempowerments, constraints, and challenges. Relatedly, the plea from the formal business sector for deregulating SMMEs is not necessarily appropriate for *informal* microenterprises in townships – and is likely to narrow (or distort) the problems informal-sector microenterprises face. General deregulation or reducing the bureaucratic ‘cost of doing business’ is not a main obstacle for emerging enterprises.

For informal enterprises, a critical regulatory issue that affects survival and employment growth is the availability of trading and business operating space (and rights). In township areas, the application of a particular vision of urban planning – often found in spatial development frameworks or integrated development plans developed for municipalities by consultants – could easily lead to spatial regulation and zoning in terms of ‘Western’ ideas of city space (e.g., with strict residential, business, and industrial areas). These could be wholly inappropriate in a typical township context.

Funding constraints also inhibit the construction of well-located, proper commercial spaces for informal enterprises, whether these be retail shops or other sectors such as repair

services and manufacturing. The proposal of Makgetla (2020) for a dedicated fund to provide infrastructure, services, and financial support for new business centres in townships or industrial sites near them, deserves serious consideration by the government. However, for funding to have a significant impact, informal microenterprises need to know and be guided regarding how to access it. Funding should not be available only to registered businesses.

Again, it is crucial to analytically distinguish informal enterprises *in townships* from informal street traders *in formal, urban business areas*. In formal, urban business areas, the spatial regulation of informal street traders must deal specifically with their conflict with formal-sector business rights, which is a topic of much controversy and frustrations. This differs significantly from the general spatial concerns and needs of informal enterprises in township areas.

Related to the spatial needs of informal enterprises is the availability of public utility services such as electricity, water, and ablution facilities – as well as Wi-Fi and internet connectivity. The absence of optical-fibre cable connections is a significant constraint in most townships. The cost of data also constitutes a major constraint for informal businesses, e.g., in their pursuit of cashless (and thus safe) transactions, online banking, online ordering of supplies, online access to municipal information and officials, online access to training material and bookkeeping apps, virtual meetings of business groups, etc. This is an important new area begging for government intervention – with the idea of a dedicated fund again on the table.

The low profile and limited impact of the NIBUS policy initiative was noted above. Several factors are at work here. The author's experience in dealing with township business owners is that there is almost no awareness of the available and active support programmes – or they simply do not know how and where to apply for such support. The easy availability of all the necessary information on available programmes and support on the DSBD website – including simple 'how to apply' instructions – is essential. In addition, it may be that the local

municipality's current local economic development (LED) official does not know or reach out to informal business owners to initiate such applications. National government support programmes often require the buy-in or partnering of a provincial or local government, which complicates processes.

It should be noted that provinces such as Gauteng, the Western Cape, KwaZulu-Natal, and the metros Johannesburg, Cape Town and eThekweni have initiated their programmes to support the township economy and informal businesses. The situation is very different in weaker provinces, smaller cities, and most towns.

A last factor is that the qualifying criteria for most NIBUS-related support programmes may discourage or effectively exclude informal enterprises. Typically, applicants must have (or have applied for) business licenses, be or become registered as a business at the CIPC, and register (or be willing to register) for tax at SARS and the UIF, etc.

This does not show sufficient sensitivity to most informal enterprises' limited capacity and skills – and the developmental stage. A more nuanced and empathetic path of access to these support programmes needs to be followed by the DSB and its partner agencies.

Constraints on access to banking services and bank loans also undermine informal-enterprise efforts to qualify for government support programmes.

### **What role for formalisation?**

One of the first solutions that comes to mind among commentators is that informal enterprises should formalise. The idea of 'formalising the informal sector' as the definitive solution has been advocated internationally by the International Labour Organisation (ILO). It essentially flows from their concern about informality in the employment conditions of people working in the formal sector – not the informal sector. This attitude towards the informal sector is alive in South African policy circles, with formalisation often the main objective of policy support – and, as

noted above, even as a *condition* to qualify for policy support, also at the local government level.

Formalisation is often narrowly conceived regarding enforcing business licencing, mainstream regulations, and tax registration. These are blunt instruments that can be destructive for informal enterprises. They do not enable and empower. One must convince municipalities to avoid such an approach. A much more nuanced approach is needed, informed by the capacity and needs of informal enterprises in different stages of development.

Above, it was suggested that informal enterprises should be seen as in a developmental trajectory from embryonic, seedling enterprises. In later stages, such an enterprise can become more mature and become a formal small business with proper financial statements, necessary licenses, and being registered for tax – and ultimately transition to a fully registered private company.

From this perspective, seedling enterprises need nurturing, not suppression or forced administrative (registration) steps. Government must help ensure that the ‘seedlings’ have ‘water’, ‘compost’, and ‘physical supports’ to help them grow ‘upright’ – rather than worrying about whether they are neatly ‘planted in a row.’ Forced formalisation is not the way to go. The impact would not be enabling. There would be a high danger of the wrong instructions at the wrong time.

Thus, it is argued for ‘smart’ formalisation. This would be developmental and recognise a spectrum of informal/pre-formal enterprises, from embryonic to mature, whether one- or multi-person, at various stages of entry, survival, development, profitability, capital strength, and sophistication, and with different needs, aspirations, capacity, growth orientation and entrepreneurial aptitudes.

The above implies that one must recognise *degrees of formality* in informal enterprises. In this regard, it is proposed to offer a menu of various elements of formality that informal enterprises can access – bit by bit, as required and beneficial, in a stepwise fashion – as they become stronger, larger, more mature, and gradually more formalised. Appropriate incentives should facilitate and support this process.

The formalisation menu can comprise two categories:

1. government policy elements: access to premises, infrastructure, water, electricity, internet, data, licences, supportive regulation, funding, as well as training opportunities; and
2. private sector elements: bank accounts, bank loans, rental space/premises, training (financial, marketing, management), financial administration, supply chains, etc.

The second category indicates ample opportunities for town/city *and* township business chambers to facilitate such components while engaging jointly with local and provincial governments regarding the first category.

### **Unlocking Employment Potential: Considerations for Local Initiatives in Towns and Townships**

The last paragraph opens the door to a discussion of the possible role and responsibility of local communities, groups, or organisations in developing a strategy for the development of the local township economy and informal sector. Government at all levels is responsible for enacting effective policy support measures and programmes. However, development is an all-encompassing challenge requiring local partnerships – involving business forums, chambers of commerce, community forums, church groups, farming groups, etc. Without such initiatives, strengthening the township economy and employment growth will be much harder to obtain. Given enormous demands on limited government capacity, waiting for the government to come to town(ship) will likely be slow.

Joint initiatives are probably easier to put together in towns than in cities and metros. An important step would be an initiative from either the township businesses or the business sector in the adjacent town to reach out to the other party. Based on trust and shared interests in development, economic growth, employment growth, and poverty reduction in the ‘twin-town’ context, an overarching business or community forum has self-evident reasons to exist. Engaging subsequently with the local and/or

provincial government and the national government would be an obvious goal.

### **Where to start?**

How can the formal business sector help to develop and strengthen the informal sector? What can/should local organisations and community forums do? What is the agenda?

The best place to start is with the main obstacles and constraints that lead to informal enterprise failure and a loss of jobs. National research (as well as local research in a Free State small-town township) has confirmed that the main obstacles include:

- a lack of suitable and secure premises in good locations and with electricity, water, toilets, Wi-Fi, etc.;
- limited or no ‘money skills’ (e.g., bookkeeping skills) to get a clear picture of how the business is doing financially – and, crucially, to keep it separate from the household’s finances;
- a lack of banking services and finance (noting that access to banking will be facilitated by having basic business records to demonstrate viability to a bank manager); and
- being the target of crime (where secure premises are vital), but also harassment by local government (often due to a mismatch between township realities and zoning laws and bylaws).

### **The lack of basic bookkeeping habits**

The need for basic bookkeeping skills is at the top of the challenges informal business owners face. The SESE surveys show that a tiny percentage of owners – only about 20% – practice some form of bookkeeping. The absence of financial records (“no accounts kept”) is more common in single-person businesses, with 82% lacking such records in 2017, compared to 62% among multi-person businesses.

These findings point to an apparent shortcoming in the typical informal enterprise – one openly recognised by owners. However, they do not know how to overcome it.

Available accounting courses do not speak to their reality and are too abstract and complex – and the owners cannot spend hours sitting in a classroom.

The bookkeeping problem goes hand-in-hand with the difficulty of keeping business finances separate from the expenditure and finances of the household – thus obscuring a clear picture of revenues and expenses, and thus profits, of the informal enterprise. The risks are clear since informal enterprises are often run from household premises (see Table 5 above) and/or use family members as workers.

These factors undermine informal enterprise viability, growth, and employment. They also prevent owners of more vital enterprises and ambitious owners from reaching beyond local markets, graduating to the upper tiers of the sector, or stepping up to higher-value markets and even formal-sector value chains.

The overall aim of such developmental initiatives and policies should be to enable informal enterprises to become self-standing, self-reliant, viable institutions (organisationally separate from the household).

This suggests a stimulating activity agenda for projects by community forums and business chambers as well as municipalities (preferably in partnership):

- training and mentoring in basic bookkeeping (“money in and money out” – managing revenue and expenditure) as a critical management tool. Basic financial records can also advance engagements with banks regarding financial support;
- training and mentoring in pricing, marketing, and product development, and assessing the potential market, e.g., in a township;
- tutoring in social media as a marketing and advertising tool in a township;
- providing access to suitable business space (matched with property rights and title deeds) for township businesses;

- investigating availability of appropriate (and secure) premises in good locations for the type of business (retail vs manufacturing, for example);
- ensuring availability of utility services (water, electricity, ablution, internet) and infrastructure;
- implementing smart, development-oriented spatial planning (urban/rural, residential/non-residential, zoning categories, main streets, business centres, markets, manufacturing centres);
- creating development-informed regulations (appropriate health, safety, fire, product, and building regulations) to reduce regulatory inconsistencies;
- facilitating access to banking and other financial services to support emerging and growth-oriented informal enterprises, counter business vulnerability, and support employment expansion;
- addressing structural barriers to accessing informal or formal (often higher-value) markets; and
- helping with accessing appropriate government support programmes effectively and scaling up government support and policy interventions, including public-sector partnerships.

Enabling the informal sector must be an integral part of the response of government, business organisations, and civil society to the problems of unemployment, poverty, and inequality in every town, city, and province. What this requires is people in business chambers or such organisations in towns and cities that are willing to do the following:

- **Talk** to informal business owners and township business chambers – sit around a table, ask them about their needs and challenges, and listen to them;
- **Encourage** and assist them in forming a business forum to create a co-ordinated voice to engage with municipalities about spatial issues and public utility services, and also support each other with management advice, co-ordinate transport and logistics, etc;

- **Talk** to provincial and local government LED officials and planners, develop a new understanding of the issues,<sup>15</sup> and facilitate engagements with the township business forum; and
- **Talk** to the Department of Small Business Development about effectively accessing support for financing infrastructure and premises (e.g., in the SEIF programme).

### **Conclusion: The informal sector in a two-pronged employment growth strategy**

If the formal economy continues to grow at rates around 1% per annum and creates employment at historical rates, total employment will likely grow at less than 0.5% per annum. This is only a sixth of what is required to reduce unemployment significantly, which means unemployment will remain high (in 2023, 32% on the narrow definition).

Pursuing higher employment through the growth of the formal sector will always be necessary (as the formal economy will provide most of the tax revenue that finances pro-poor social expenditure). However, a strategy that continually attempts to prime, fine-tune and turbo-boost this ‘engine of job growth’ to absorb more labour is fundamentally constrained. At some point, it becomes less and less productive, even futile.

Furthermore, as long as economic policymakers rely exclusively on a growing formal sector to ‘suck in’ unemployed people, they ignore an important avenue to improve the employment prospects, earnings, livelihoods, and human dignity of millions of poor people.

A carefully designed and balanced two-pronged economic strategy that targets both the formal and informal sectors (and, notably, linkages between them) is likely to have much more success at reducing unemployment. Economic policymakers should not allow formal-sector issues (and interests) to claim

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<sup>15</sup> Philip (2018) is an excellent primer for local government on township economic development.

the entire economic policy thinking space and to absorb all policy resources.

It is crucial to address business income, labour income, and employment at the lower end of the income spectrum and income distribution. Enterprise support that boosts the survival, growth, and employment of informal enterprises can impact all three ills: unemployment, poverty, and inequality.

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