

The nature of the South African informal sector as reflected in the quarterly labour-force survey, 2008-2014

Michael Rogan and Caroline Skinner

Abstract

This paper presents an analysis of the nature of, and recent trends in, the South African informal sector using Quarterly Labour Force Survey (QLFS) data from 2008-2014. The size of the informal sector, as a percentage of the non-agricultural workforce, has remained relatively constant, at between 16 and 18 per cent, over the period. Although smaller than developing country counterparts, this still constitutes a significant source of employment in the country, thus warranting analysis and policy attention. While previous analyses have paid attention to differentiation by income and status in employment, less attention has been paid to gender, industry and spatial differentiation. The paper analyses the following aspects: The impact of the 2008-09 economic crisis; gender reconfiguration within the informal sector; the informal sector and youth employment; improvements in educational levels; changes in industry composition; the geography of the African informal sector; and earnings. In reflecting on current policy responses to the informal sector, particularly at national level, we argue that a greater understanding of these variables, and how their role may have changed over time, is critical to robust and successful policy making. We explore policy implications in the conclusion.

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Executive summary

This paper presents an analysis of the nature of, and recent trends in, the South African informal sector using Quarterly Labour Force Survey (QLFS) data from 2008-2014. The size of the informal sector, as a percentage of the non-agricultural workforce, has remained relatively constant, at between 16 and 18%, over the period. Although smaller than developing country counterparts, this still constitutes a significant source of employment in the country, thus warranting analysis and policy attention. Key significant findings from this analysis are as follows:

- **Impact of the economic crisis:** QLFS data show, contrary to some expectations, there were significant and disproportionate job losses in the South African informal sector over the 2008-9 global crisis period. The policy implication is that the informal sector, rather than being a buffer in times of crisis, might in fact need extra policy support over recessionary periods.
- **Gender reconfiguration within the informal sector:** Historically the informal sector has been a disproportionate source of employment for women but, from 2009, this was no longer the case. The data demonstrates further that the women that remain in the informal sector are much more likely to be own account workers and less likely to be employers, relative to men, and even within the same occupational group. This shows that while the overall size of the informal sector did not change significantly over the entire period, there has been a noteworthy change in composition within it.
- **The informal sector and youth employment:** The QLFS data for quarter three in 2014, shows that between 8-10 % of both the informal and formal workforces were in this age group and that the composition has not changed substantially over the period, suggesting the informal sector is not an easier entry point into economic activity than the formal sector and reinforcing the need to understand barriers to entry in the informal sector.
- **Improvements in educational levels:** QLFS data show that there are improvements in educational levels among both formal and informal sector workers. However there remains a cohort of informal sector operators who continue to be very poorly educated suggesting a targeted adult basic education programme for this group may be warranted.
- **Changes in industry composition:** The dominant industry in the South African informal sector continues to be trade – comprising 42% of informal sector employment in quarter three, 2014. Trend data show a relative decline in the dominance of trade. The next most important industries are construction and services. Manufacturing, at 9% of total informal sector employment, is a relatively small component of the South Africa informal sector, in comparison to other developing countries. We argue that industry disaggregation is an important entry point for policy making since, as is the case with the formal sector, different industries have very different constraints to viability and growth and thus different policy needs.
- **The geography of the South African informal sector:** The data suggest high levels of differentiation along spatial lines with certain provinces (Limpopo, Mpumalanga, Eastern Cape) and cities (eThekweni) having comparatively large informal sectors and others comparatively small (Western Cape and Cape Town; Gauteng and Tshwane). The data also suggest a predominance of informal sector jobs amongst workers living in urban informal settlements as well as tribal settlement areas.
- **Earnings:** The average worker in the informal sector earned R1 733 per month in 2011 in contrast to the average formal sector worker who earned about R5 000 p.m. In the sector as a whole, both the mean and median earnings of women are only about 75% of men's earnings.

While previous analyses have paid attention to differentiation by income and status in employment (Kingdon and Knight, 2004; Heintz and Posel, 2008), less attention has been paid to gender, industry and spatial differentiation. In reflecting on current policy responses to the informal sector, particularly at national level, we argue that a greater understanding of these variables, and how their role may have changed over time, is critical to robust and successful policy making. We explore policy implications in the conclusion.

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1. Introduction

Over 2.5 million people work in the South African informal sector. Although smaller than in other developing countries, the informal sector is significant for employment creation and retention, as well as poverty alleviation. This Working Paper presents an updated and in-depth interrogation of the nature, structure and composition of the South African informal sector between 2008 and 2014 using Quarterly Labour Force Survey (QLFS) data. It builds on previous analyses (Budlender 2001; Devey, Skinner and Valodia 2006; Essop and Yu 2008; Heintz and Posel 2008; Wills 2009 and Statistics South Africa, 2015) and complements research findings based on the Survey of Employers and the Self Employed (SESE), the four-yearly Statistics SA survey that interviews respondents from the QLFS that operate enterprises which are not registered for value added tax. (Fourie and Kerr, 2015 and Fourie, forthcoming).

The particular period of study was selected since 2008 marks the first year when South African labour-force statistics became available on a quarterly basis and there is also a gap in the literature in relation to the post-2008 period. It also coincides with a period of significant recession in the global and South African economy providing an opportunity to observe the realities of the informal sector in a recessionary environment.

The Working Paper begins by analysing the policy context for the informal sector in the post-apartheid period and identifies two policy relevant gaps in knowledge to which this paper aims to contribute – the role played by the informal sector in times of economic crisis and lines of differentiation within the informal sector of policy relevance. The paper then goes on to clarify international norms in defining *informal sector employment* and how this definition has been applied in South Africa. We describe changes in the total size of the South African workforce (i.e. those actually employed) and how the size of various sub-groups have changed during the seven-year period under review. Next we undertake a detailed quarterly analysis of trends in formal and informal sector employment with a special focus on the sub-period which coincided with the 2008-9 global economic crisis. We then highlight the key differences in informal sector employment trends by gender, race and status in employment. Following this we explore whether the informal sector is a particular source of employment for the youth and educational levels of informal sector workers. We consider informal sector employment trends across

geographical space – by province, metropolitan area and settlement type. Estimates of informal sector earnings are included in the penultimate section. We conclude by teasing out the policy implications of this analysis and identifying key areas in need of further analysis.

2. Policy context and debates

In the post-apartheid period those working in the informal sector have faced an ambiguous policy environment that has occasionally offered support, but has largely ignored, and at times actively destroyed, informal sector livelihoods. Rogerson (2004), for example, reviewing the impact of government's small, medium and micro enterprise (SMME) programmes over a ten-year period, concluded that these had largely by-passed the informal sector. Budlender, Skinner and Valodia (2004), following their analysis of the budgetary allocations for the informal sector across government departments, concluded that support measures were 'few and far between, patchy and incoherent, and largely ineffective'.

President Mbeki's notion of South Africa being characterised by two economies – with the informal sector being a core component of the 'second economy' – introduced in 2003, generated considerable policy attention in the mid 2000's. Mbeki conceptualised the second economy as 'characterised by underdevelopment, contributes little to GDP, contains a large percentage of our population, incorporates the poorest of our rural and urban poor, is structurally disconnected from both the first and the global economy, and is incapable of self-generated growth and development. The idea of the 'second economy' elicited a flurry of critique among analysts (e.g. Aliber et al. 2006; Devey et al. 2006b; du Toit & Neves 2007) who pointed to the conceptual flaw of seeing the formal and informal as being 'structurally disconnected'. The 'second economy' arguments were based on the premise that:

... the mainstream of the economy is working rather well, and government action is needed to enhance the linkages between the first and second economy and where appropriate to provide relief, such as public works programmes, to those locked into the informal economy. (Devey et al. 2006b:242)

This research showed the many ways in which the formal and informal economies are intertwined. Unsurprisingly, however, subsequent policy pronouncements suggested that the informal sector should be eradicated. For example, the Accelerated Shared Growth Initiative of South Africa, the next major statement on economic policy imperatives, called for the 'elimination of the second economy' (RSA 2006:11). In 2008, the Presidency initiated the Second Economy Strategy Project, which highlighted the extent to which 'high inequality is an outcome of common processes, with wealth and poverty in South Africa connected and interdependent in a range of complex ways' and proposed sophisticated interventions (Philip and Hassen 2008; Philip 2009). Cabinet approved the strategic framework and headline strategies arising from

this process in January 2009. However, when Mbeki was recalled in September 2008, arguably his close association with the notion of the second economy meant that the strategy was an unfortunate casualty of his recall.

Since 2012, however, there have been a range of informal sector policy statements and initiatives that hold the potential to constitute a change in tide. At the national level the National Development Plan (NDP) sees the informal sector as creating between 1.2 and 2 million new jobs¹ by 2030 (National Planning Commission, 2012:121) while, in 2012, the Department of Trade and Industry released the National Informal Business Upliftment Strategy (NIBUS), the first attempt to have a nationally-coordinated policy and approach to dealing with the informal sector. At a provincial level, increasing attention is being paid to the ‘township economy’² and a number of the metropolises have initiated informal sector policy processes.

The National Informal Business Upliftment Strategy (NIBUS), as the first post-apartheid national policy on the informal sector warrants attention. NIBUS has two key delivery arms - the Shared Economic Infrastructure Facility (SEIF) and the Informal Business Upliftment Facility (IBUF), tackling infrastructure and skills deficits respectively. SEIF provides funding for new infrastructure, and upgrading or maintaining existing infrastructure shared by informal businesses; up to R2 million funding is available to municipalities on a 50:50 cost-sharing grant basis. IBUF focuses on skills development, promotional material, product improvement, technology support, equipment, and help with registration; and was piloted by training 1 000 informal traders in a partnership with the Wholesale and Retail Sector Education and Training Authority.

On the positive side, national government is tackling two critical needs – infrastructure and skills development. However, the policy has a few concerning elements. First the explicit focus of the policy is ‘*entrepreneurial* activities in the informal economy’ with an emphasis on ‘graduation’ to the formal economy, runs the risk of selecting those already doing better and thus neglecting the majority of informal sector participants. Second, the policy reflects an anti-migrant disposition, identifying a ‘foreign trader challenge’ (NIBUS 2013:10), noting that ‘there is evidence of violence and unhappiness of local communities with regard to the takeover of local business by foreign nationals’, and that there are ‘no regulatory restrictions in controlling the influx of foreigners’ (NIBUS 2013:22). NIBUS (2013) then highlights the case of Ghana where a raft of regulatory controls restricts the economic activities of international migrants.

¹ An important caveat is that the NDP groups the informal sector and domestic workers into the same category in its projections for employment growth.

² See for example the numerous reference to this in Gauteng including the drafting a strategy on revitalising the township economy <http://www.ecodev.gpg.gov.za/Documents/Draft%20GTER%20Strat.pdf>.

The anti-foreign sentiment, which was also reflected in the draft Business Licensing Bill, reinforces a generally punitive approach to the informal sector that focuses on regulation and control. The November 2015 report of the parliamentary committee which investigated the 2015 xenophobic attacks that targeted immigrants working informally, recommended regulation of particularly township businesses. The report states, for example, that municipal governments must improve systems for providing and monitoring business permits, noting a ‘tendency of issuing too many licenses’ to businesses operating out of residential dwellings, many of which do not comply municipal by-laws (Parliament of South Africa 2015: 38-39). This approach is likely to be negative for South Africans and immigrant informal operators alike³.

Local government plays a key role in shaping the environment in which informal sector operators work. Studies have repeatedly documented municipal authorities’ ambivalence to the informal sector in general and informal trade in particular (Dube et al, 2013, Skinner, 2006&2010; Wafer, 2001). In addition, there have been a number of cases of city authorities actively destroying informal livelihoods. A particularly high profile case was Operation Clean Sweep in late 2013 when over 6,000 street vendors were removed from Johannesburg’s inner city streets (Rogerson 2015; Benit-Gbaffou 2016).

Against this policy backdrop, there are two debates to which we aim to contribute an empirical base. The first debate concerns the role that the informal sector plays in times of economic crisis. It is often assumed that job losses in the formal sector lead to an increase in the number of workers who create their own work through informal self-employment or, as the Organisation for Economic Co-operation and Development (OECD) states, the informal sector acts as a ‘shock absorber in times of economic crisis’. Tellingly, this assumption is reflected in South Africa’s National Development Plan (2012: 374), where it is claimed that the informal sector ‘provides a cushion for those who lose formal sector jobs or need to supplement their formal incomes during crises’. As noted above, since our period of analysis overlaps with the onset and recovery of the South African economy from the global economic crisis, the QLFS data provide the opportunity to test these claims for that particular period. The second debate involves the lines of differentiation in the informal sector that might have relevance for policy. While attention has been paid to differentiation by income and status in employment (Kingdon and Knight, 2004; Heintz and Posel, 2008), less attention has been paid to gender, industry and spatial differentiation (by province, city and settlement type). We argue that a greater understanding of these variables, and how their role may have changed over time, is critical to robust and successful policy making.

³ For further details on the anti-foreign migrant thrust in South African informal sector policy and its implications see Crush, Chikanda and Skinner, 2015.

3. Definitions and measurement

As outlined in detail in Vanek et al. (2014:5), the International Conference of Labour Statisticians⁴ (ICLS) has held substantial deliberations on how to define the informal sector and informal employment. In 1993 the ICLS adopted an international statistical definition of the ‘informal sector’. The definition was based on the characteristics of production units or enterprises and refers to employment and production that takes place in unincorporated, small or unregistered enterprises (e.g. less than five employees).

Ten years later, in 2003, following from the 2002 International Labour Conference Resolution on Decent Work and the Informal Economy, the 17th ICLS added the different, broader concept of ‘informal employment’. ‘Informal employment refers to all employment arrangements that leave individuals without social protection through their work, whether or not the economic units they operate or work for are formal enterprises, informal enterprises or households.’ Informal employment should not be confused with employment in the informal sector – the former is a much broader and quite distinct concept. It defines informal employment as unprotected work (both inside and outside the informal sector), which is measured by the absence of a written contract, medical benefits or a pension contribution (also see Chen 2017, forthcoming). Much of the recent academic literature in South Africa (Devey et al. 2006, Wills 2009, Heintz and Posel 2008, Yu 2012, Essop and Yu 2008) has used such a worker-based definition.

However, the focus of this Working Paper is on the *informal sector* and informal sector employment. For the sake of consistency, the analysis is based on Statistics South Africa’s official definition of informal sector employment:

- a) Employees working in establishments that employ less than five employees, who do not deduct income tax from their salaries/wages; and
- b) Employers, own-account workers and persons helping unpaid in their household business who are not registered for either income tax or value-added tax.

Note that domestic workers in private households are not included in the definition and measurement of the informal sector, irrespective of their status in employment. The data include all adults within and above the working age category, i.e. 15 years and older.

⁴ This group includes experts from governments, mostly appointed from ministries responsible for labour and national statistical offices. They meet roughly every five years and their deliberations result in resolutions and guidelines, which are then approved by the Governing Body of the International Labour Organization before becoming part of the set of international standards on labour statistics.
<http://www.ilo.org/global/statistics-and-databases/meetings-and-events/international-conference-of-labour-statisticians/lang--en/index.htm>

4. The size of the informal sector and changes over time

Table 1 explores this definition by disaggregating informal sector employment into different categories of status in employment. In 2014 (Q3) the number of owner-operators of informal enterprises (i.e. unregistered units) is just under 1.5 million, of which approximately 1.1 million are ‘own-account operators’ (who do not have employees) and just over 0.3 million are employers. Together with paid informal sector employees and unpaid workers (often family members helping out), the total size of the informal sector is just over 2.5 million workers. These workers comprise 17 per cent of the total South African workforce in 2014.

Table 1 Estimates of employment in the informal sector (including agriculture), QLFS 2014Q3

Own-account operators	Employers	Employees (paid)	Unpaid workers	Total
Total				
1,116,763 (33,718)	321,733 (20,116)	1,059,092 (31,732)	57,321 (7,303)	2,554,908 (50,540)
As a percentage of total employment				
7.31 (0.21)	2.10 (0.13)	6.93 (0.20)	0.37 (0.05)	16.71 (0.31)

Source: Own calculations from Statistics South Africa’s 2014 Quarterly Labour Force Survey (Q2). The data are weighted. Standard errors in brackets. Sample not restricted to the working age population.

For Sub-Saharan Africa, Vanek et al. (2014:10) estimate total employment in the informal sector at 53 per cent of non-agricultural employment. The equivalent figures for South Asia; East and Southeast Asia,⁵ and Latin America were 69 per cent, 57 per cent and 34 per cent respectively. Therefore, as is often identified in the literature, at 17 per cent of total employment, South Africa’s informal sector is an outlier not only in the region but in the Global South.

Not surprisingly, a preoccupation of the literature using Statistics SA’s household and labour force survey data has been the apparently small overall size of the South African informal sector – and whether it has been increasing or decreasing in the post-apartheid period. Devey et al (2006) analyse annual household survey data (1997 through 1999) and the biannual LFSs (2000 through 2004) and conclude that employment in the informal sector increased (although they attribute part of this to improvements in data collection techniques). Essop and Yu (2008) also show an increase in informal sector employment using the LFSs and extending the period of analysis to 2006. Both of these studies therefore support the earlier findings from Muller

⁵ The figure for East and Southeast Asia excludes China.

(2003) and Budlender, Buwembo and Shabalala (2001) on the increase in informal sector employment in the post-apartheid period.⁶

Table 2 below extends this earlier work by providing estimates of total informal sector employment during the post-2008 period, based on the first and a more recent data point in the QLFS series. The table shows that the absolute number of workers in the informal sector did not change significantly while the formal sector, the total labour force (and the number of unemployed) have all grown. In other words, roughly 2.5 million workers were in the informal sector in both 2008 and 2014. About 1.5 million of these informal sector workers were self-employed (as either own account workers or employers) and about one million were employees (paid or unpaid) in informal sector enterprises. (Percentage shares are shown in figure 3 below.)

Table 2. Changes in formal and informal sector employment (including agriculture) between 2008 and 2014

	2008 Q1	2014 Q3	Change	% change
Labour force	20,196,425 (109,579)	22,963,393 (138,155)	2,766,968	13.7%***
Informal sector	2,657,330 (42,506)	2,554,908 (50,540)	-102,422	-3.9%
Owner-operators	1,456,383 (31,569)	1,438,496 (39,155)	-17,888	-1.2%
Employees	1,127,801 (28,248)	1,059,092 (31,732)	-68,709	-6.1%
Domestic workers	988,421 (26,653)	972,302 (30,417)	-16,119	-1.6%
Formal sector	10,699,699 (89,503)	11,538,541 (109,778)	838,842	7.8%***
Unemployed	5,591,503 (62,483)	7,676,302 (84,639)	2,084,799	37.3%***

Source: Own calculations from the 2008 Q1 and 2014 Q3 Quarterly Labour Force Surveys. The data are weighted. Notes: Standard errors in brackets.⁷ Columns do not add to 100% since unpaid workers (approximately 40 000 in 2014) are not included. All figures based on the expanded definition of the labour force. Sample not restricted to the working age population.

*** Significant change at the 99 per cent level of confidence; ** Significant change at the 95 per cent level of confidence; * Significant change at the 90 per cent level of confidence.

This period, of course, covers one of the largest negative shocks to the post-apartheid economy as well as the subsequent slow recovery. At the height of the global economic crisis there was much debate on the role of the informal sector in South Africa. As Verick (2012: 379) points

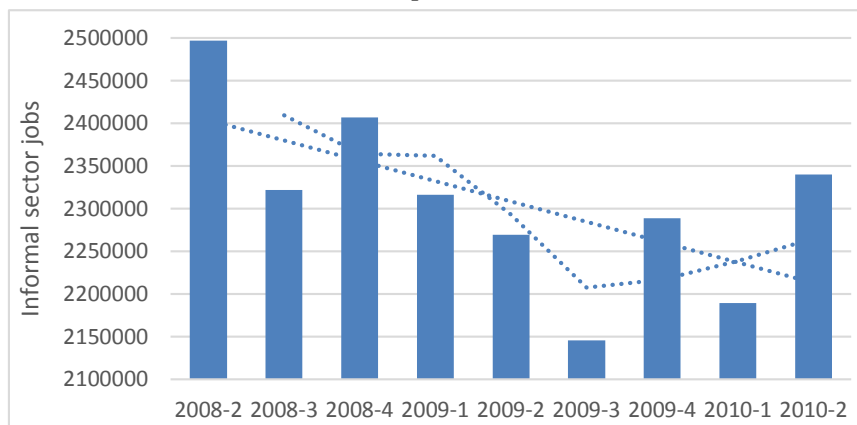
⁶ Two other analyses of the 2004-2007 period (see Heintz and Posel, 2008 and Wills, 2009) use the different concept of informal employment and, in contrast, find that informal employment declined as a percentage of total non-agricultural employment. The authors attribute this decline to the formalisation of wage employment.

⁷ Standard errors indicate the degree of precision of the estimated value, or how confident one can be that the true value is relatively close to the value in the table. When comparing estimated numbers in columns: add and subtract, to each column number, twice its standard error; if the intervals so constructed do not overlap, the two column numbers differ to a statistically significant degree. If not, you cannot be 95% confident that the estimates in the two columns actually are different. Similar calculations allow one to establish with 99% or 90% confidence that the two estimates actually are different.

out, it is often assumed that the urban informal sector absorbs workers who are unable to find employment in the formal sector. He goes on to note that during a downturn, particularly one that is driven by a global, synchronised crisis, it is expected that employment in a developing country will fall in the formal sector, accompanied by a rise in employment in the informal sector.

Our analysis of the South African labour market over the crisis period suggests a different pattern. Turning now to focus on non-agricultural informal sector employment for the remainder of the Working Paper (unless otherwise indicated⁸), figures 1 and 2 show employment levels in the informal and formal sectors, respectively, for the eight quarters following the second quarter of 2008. From the graphs it is clear that there were job losses in the informal sector after the second quarter of 2008 up to the third quarter of 2009. This is remarkably similar to the employment contraction in the formal sector, which was uninterrupted until the third quarter of 2009 and continued well into 2010. It appears that the formal sector contraction started (and ended) a bit later than the informal sector, indicating the lag that economists identified at the time. Most importantly, both formal sector and informal sector employment declined during this particular recession.

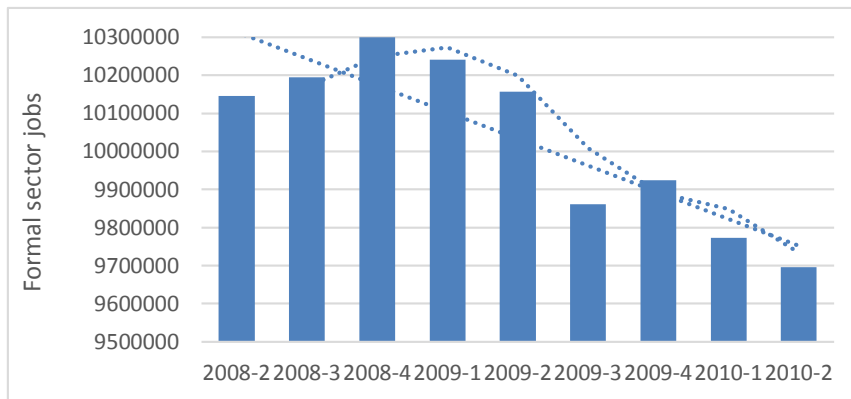
Figure 1. Total number of informal sector non-agricultural jobs over the crisis period (2008-2010)



Notes: Own calculations from the QLFSs (reweighted to reflect the 2011 Census benchmarks). The data are weighted. Sample not restricted to the working age population. Linear and moving average trend lines added to aid interpretation.

⁸ While agricultural work is undoubtedly an important part of the informal sector (see Cousins, forthcoming), the rest of this Working Paper follows the international norm of presenting separate estimates for the agricultural and non-agricultural sectors. Moreover, given the interest in comparing informal sector employment across geo-spatial groups, excluding agricultural work allows for more direct comparisons.

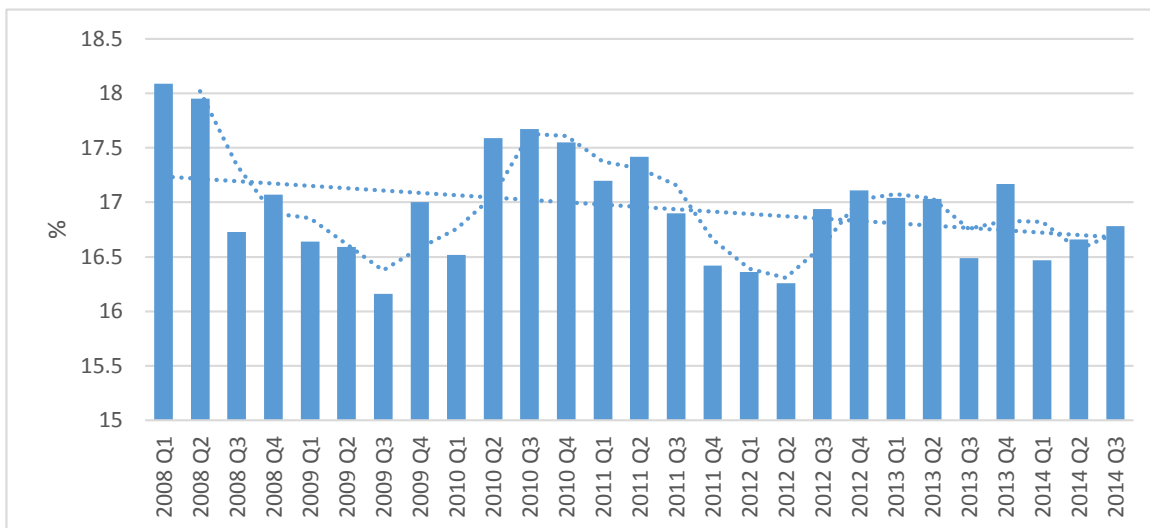
Figure 2. Total number of formal sector non-agricultural jobs over the crisis period (2008-2010)



Notes: Own calculations from the QLFSs (reweighted to reflect the 2011 Census benchmarks). The data are weighted. Sample not restricted to the working age population. Linear and moving average trend lines added to aid interpretation.

Another way to compare the relative ‘effects’ of the crisis on formal and informal sector jobs, is to consider informal-sector employment as a percentage (share) of total employment. To provide perspective, figure 3 shows this share in the context of the longer 2008-2014 period. The longer-term trend line shows that the informal sector component of the workforce has been relatively stable (albeit with minor fluctuations). However, in the crisis period (2008-09), the share of informal sector jobs in total employment actually decreased at the same time that the workforce as a whole was contracting.

Figure. 3 Non-agricultural informal sector employment as a percentage of total non-agricultural employment (2008-2014)



Notes: Own calculations from the QLFSs (reweighted to reflect the 2011 Census benchmarks). The data are weighted. Sample not restricted to the working age population. Linear and moving average trend lines added to aid interpretation.

The key finding is that, over this particular crisis period, the informal sector was not absorbing the ‘lost’ formal-sector jobs. Indeed, informal sector employment declined relatively more than formal sector employment during the crisis period 2008-2009 in which aggregate job losses

were experienced. At the height of the crisis (the third quarter of 2009), the informal-sector share of total non-agricultural employment decreased to as low as 16 per cent. (For analysis of informal sector employment over the business cycle, see Burger and Fourie, forthcoming)

The main longer-term empirical finding is that the size of the informal sector, as a percentage of the non-agricultural workforce, has remained relatively constant, at between 16 and 18 per cent, over the entire period 2008-2014. The trend line seems to show a decline, but the change from 2008 to 2014 is not statistically significant (i.e. once survey margins of error are taken into account, one cannot be confident that there was a definite change).

5. Demographics of informal sector workers – race and gender

Previous analyses have shown that the informal sector is a disproportionate source of employment for black and coloured workers as well as for women (Budlender 2001; Essop and Yu 2008). Table 3 shows changes over time in the importance, or weight, of informal sector employment relative to the total employment by race and gender. The data show a slight but significant decrease (from 21 per cent in 2008 to 19 per cent in 2014) in the informal-sector component of the black workforce, while that of other groups did not change significantly. What is more remarkable however is the change in the informal-sector component of male and female employment, which shows a significant divergence.

Table 3 Non-agricultural informal sector employment as a percentage of total non-agricultural employment, by race and gender (2008-2014)

	2008 Q2	2009 Q2	2010 Q2	2011 Q2	2012 Q2	2013 Q2	2014 Q2	Change (%) 2008- 2014
Race								
Black	20.98 (0.35)	19.54 (0.36)	20.63 (0.40)	20.24 (0.42)	19.26 (0.39)	19.33 (0.38)	18.89 (0.39)	-9.96***
Coloured	9.52 (0.60)	9.87 (0.59)	9.59 (0.62)	11.27 (0.66)	7.65 (0.56)	9.02 (0.58)	9.66 (0.61)	1.47
Indian	7.41 (0.99)	8.53 (1.19)	8.23 (1.26)	8.46 (1.17)	8.80 (1.30)	10.88 (1.42)	10.69 (1.59)	44.26
White	5.31 (0.46)	3.98 (0.41)	6.23 (0.63)	5.57 (0.64)	4.14 (0.41)	6.61 (0.60)	5.72 (0.54)	7.72
Gender								
Men	17.51 (0.37)	16.59 (0.38)	17.91 (0.43)	18.32 (0.46)	17.39 (0.42)	18.41 (0.42)	18.26 (0.45)	4.28
Women	18.52 (0.41)	16.59 (0.41)	17.17 (0.45)	16.27 (0.45)	14.83 (0.42)	15.31 (0.41)	14.67 (0.40)	-20.79***

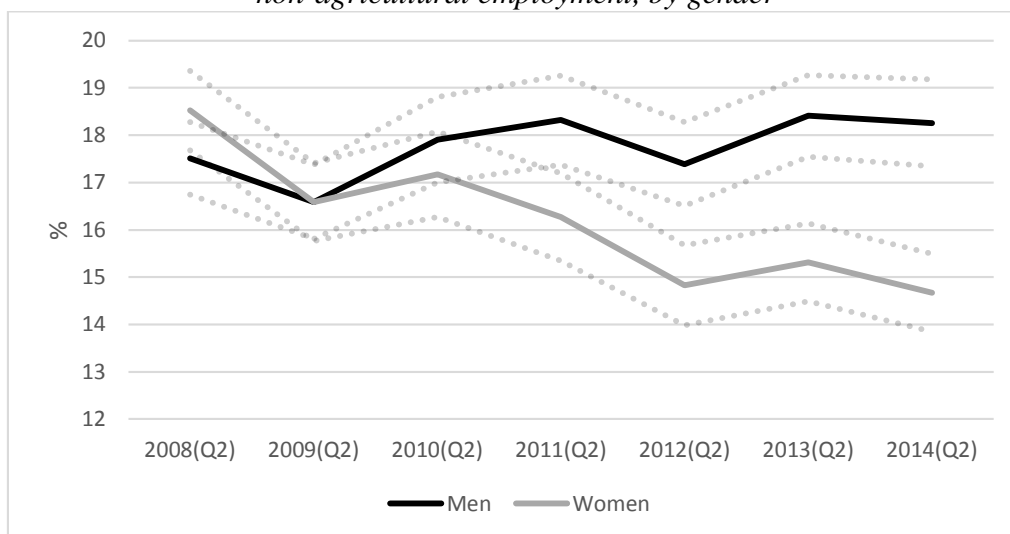
Source: Own calculations from the Quarterly Labour Force Surveys.

Notes: The data are weighted (reweighted to reflect the 2011 Census benchmarks). Sample not restricted to the working age population.

Standard errors in brackets (see notes at table 2). *** Denotes a statistically significant different figure in 2014 relative to 2008 at a 99 per cent level of confidence; ** Denotes a statistically significant different figure in 2014 relative to 2008 at a 95 per cent level of confidence * Denotes a statistically significant different figure in 2014 relative to 2008 at a 90.

Figure 4 shows the changes over time in the percentage shares, of male and female informal sector employment, in their *total* employment (non-agricultural). In the second quarter of 2008, 18.5% of women who worked were in informal sector employment in comparison to 17.5% of men – not too dissimilar. By the second quarter of 2009, at the depth of the economic crisis, 16.6% of both men *and* women working outside of agriculture reported working in the informal sector – an absolute match. Thus, the sharp recession impacted roughly equally on male and female workers in the informal sector (although a bit more on women). However, by the second quarter of 2014 only 14.7% of employed women reported working in the informal sector (in contrast to 18.3% of men). This divergence demonstrates a rapid, significant and sustained decrease in the informal-sector share of total female employment in the period between 2008 and 2014.

Figure 4 Informal sector employment as a percentage of total non-agricultural employment, by gender



Notes: Own calculations from the Quarterly Labour Force Surveys. The data are weighted. Sample not restricted to the working age population. 95% confidence intervals are plotted in the dotted grey trend lines. If these broad bands do not overlap, as is the case beyond 2011, it means that one can be 95% confident that the numbers on the solid lines are significantly different for each point in time.

Vanek et al.'s (2014:10) regional estimates of women's informal sector employment as a percentage of total (non-agricultural) female employment in Sub-Saharan Africa was 59% and that of men *lower* at 49% (aggregated across a range of countries between 2004 and 2010) – suggesting that South Africa is again a regional outlier. These gender changes cannot be explained simply by a shift among employed women to the formal sector. Over the same period, the total female labour force increased by about 13 per cent (or 1.2 million women) and formal sector employment increased by about 14 per cent (or 580 000). However, female unemployment grew by even more (27 per cent) over the period and, at the aggregate, roughly 65 per cent of the increase in the female labour force is 'explained' by unemployment (own calculations from the QLFSs).

6. Status of employment in the informal sector

Status in employment – whether a person is an employee, unpaid worker or an owner-operator, which could be a single person without employees *or* an employer – provides further insight into the nature of work in the informal sector in general, but also the change in gender composition. First, in the third quarter of 2014, of the total of almost 2.6 million people working in the informal sector (including agriculture), just over 1.1 million (46%) were own-account workers, while 322 000 (13%) were employers – who employed just over 1 million (41%) employees (compare tables 1 and 2). This suggests that there are both a major group of single-person firms but also a smaller group of enterprise operators who generate employment not only for themselves but also for a million others. Secondly, Table 4 provides a breakdown of these numbers to get an insight into the gender composition and how it has changed over time. Table 4 shows changes in these employment categories as a share of informal sector employment (excluding agriculture), for each gender. (Note that this is a different measure from the one used in Table 3, which showed the informal-sector components in the total employment of men and women respectively.)

Table 4. Changes in informal sector composition in terms of employment status (column percentages) by gender, 2008 - 2014

	2008 Q1	2014 Q3	Change (%)
Women			
Own account	58.45 (1.21)	51.70 (1.53)	-11.55**
Employers	4.91 (0.58)	7.48 (0.97)	52.34*
Employees	32.38 (1.15)	37.38 (1.49)	15.44**
Men			
Own account	38.98 (1.15)	40.85 (1.36)	4.80
Employers	13.05 (0.82)	16.47 (1.07)	26.21*
Employees	46.43 (1.18)	41.09 (1.33)	-11.50**

Source: Own calculations from the 2008 Q1 and 2014 Q3 Quarterly Labour Force Surveys.
Notes: The data are weighted. Standard errors in brackets. Sample not restricted to the working age population. Columns do not total to exactly 100% since unpaid workers are excluded.

*** Significant change at the 99 per cent level of confidence; ** Significant change at the 95 per cent level of confidence; * Significant change at the 90 per cent level of confidence.

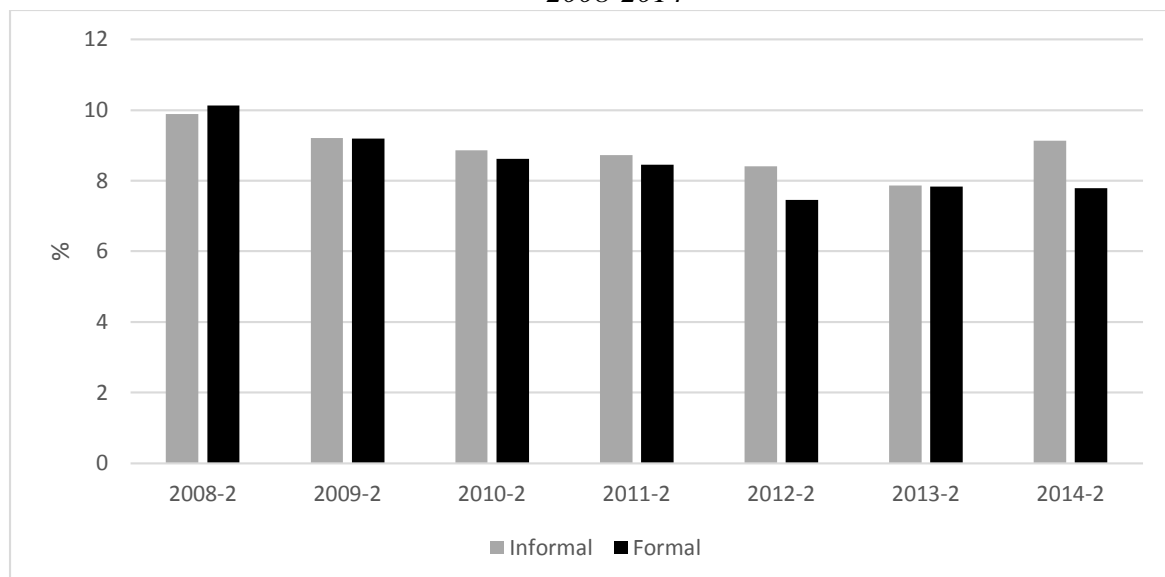
What this table shows is that women who work in the informal sector are much more likely to be own-account workers and much less likely to be employers, relative to men. However, from 2008 to 2014 own-account work has become a smaller component of total women's informal sector employment – and being an employer a larger component (albeit still quite small); a larger proportion has also become paid employees. Among men, there was no statistically

significant change in the share of own-account work, but a large relative increase in being employers (again from a low base) and a significant decline in the share of male informal-sector workers who were employees. Together this constitutes a significant reconfiguration of the composition of the informal sector: for women, a move away from own-account work towards working in multi-person firms as either employers or employees (amidst a considerable decline in total informal-sector employment for women); for men in multi-person enterprises: a move towards being employers rather than employees).

7. The informal sector as a source of youth employment

Given high levels of youth unemployment in South Africa, discerning whether the informal sector employs a disproportionate number of young people is important. Figure 5 below presents the percentage of the work force that is in the 20-24 age group that is in formal versus informal sector employment over the period under review. It shows that between 8-10 % of both the informal and formal workforces were in this age group and that the composition has not changed substantially over the period. This data suggest that the informal sector does not necessarily absorb younger people more than formal employment. This again suggests that the informal sector is not free of barriers to entry.

Figure 5 Percentage of the non-agricultural workforce that is in the 20-24 age group, 2008-2014



Notes: Own calculations from the Quarterly Labour Force Survey. The data are weighted. Sample not restricted to the working age population.

8. Education levels of informal workers in comparison to formal workers

Information about educational levels are important for the design of appropriate training interventions. In addition, previous analysis has suggested that there were significant returns to education in the informal sector. Devey, Skinner and Valodia, 2003 for example using September 2001 Labour Force Survey data, showed that while returns to primary education were not significant, there were significant returns to secondary and higher education, with higher education showing the best returns. (2003: 156).

Table 4 below shows changes in educational levels among those working in the informal sector over time. These data show that informal sector workers have become significantly more educated over the period. For example, the proportion of those reporting to have had no schooling dropped from 7.7 % in the second quarter of 2008 to 4.3 % in the equivalent period in 2014. The percentage of the informal sector workforce with a completed matric increased significantly from 19.5 % to 25.3 %. By way of comparison, for those formally employed in the second quarter of 2008 34.3% had completed matric and this increased to 37.1 % for the same period in 2014. This suggests that while improvements in educational levels are more pronounced among those working in the informal sector, this is part of a more generalised trend.

Table 5 Distribution of total non-agricultural informal sector employment (excluding domestic work), by education (2008-2014)

	2008-2	2009-2	2010-2	2011-2	2012-2	2013-2	2014-2
Education level							
No schooling	7.65 (0.45)	6.11 (0.40)	5.45 (0.42)	4.32 (0.36)	5.03 (0.41)	4.97 (0.42)	4.28 (0.41)
Some primary	15.42 (0.65)	14.53 (0.63)	13.43 (0.64)	12.08 (0.64)	12.96 (0.66)	11.80 (0.59)	10.84 (0.58)
Completed primary	8.44 (0.49)	7.25 (0.49)	8.68 (0.62)	7.26 (0.53)	7.27 (0.53)	7.38 (0.50)	6.63 (0.51)
Some secondary	43.23 (0.87)	45.21 (0.96)	42.23 (1.01)	46.83 (1.06)	44.61 (1.04)	45.24 (0.99)	44.96 (1.04)
Secondary completed	19.53 (0.69)	22.19 (0.83)	22.72 (0.89)	21.68 (0.86)	23.11 (0.90)	23.79 (0.88)	25.27 (0.91)
Tertiary	4.08 (0.36)	3.67 (0.37)	5.37 (0.45)	6.25 (0.55)	4.91 (0.45)	5.02 (0.41)	6.41 (0.50)
Other	1.65 (0.23)	1.03 (0.18)	2.12 (0.30)	1.59 (0.24)	2.12 (0.31)	1.80 (0.26)	1.61 (0.30)
Total	100.00	100.00	100.00	100.00	100.00	100.00	100.00

Notes: Own calculations from the Quarterly Labour Force Survey. The data are weighted. Sample not restricted to the working age population.

The table below gives further details on formal and informal sector workers educational levels using quarter three QLFS data.

Table 6 Distribution of the total non-agricultural formal and informal sector employment (excluding domestic work) by education (2014-Q3)

Education level	Formal			Informal		
	Men	Women	Total	Men	Women	Total
No schooling	1.15 (0.14)	1.18 (0.14)	1.16 (0.10)	4.69 (0.57)	5.47 (0.61)	5.00 (0.42)
Some primary	4.69 (0.28)	2.84 (0.24)	3.93 (0.19)	11.40 (0.80)	10.81 (0.85)	11.17 (0.59)
Completed primary	2.71 (0.20)	1.61 (0.17)	2.25 (0.14)	6.91 (0.67)	6.45 (0.69)	6.73 (0.49)
Some secondary	31.98 (0.65)	24.57 (0.68)	28.93 (0.47)	46.75 (1.38)	43.35 (1.53)	45.41 (1.03)
Secondary completed	34.96 (0.65)	38.24 (0.76)	36.32 (0.50)	22.77 (1.13)	24.79 (1.36)	23.57 (0.87)
Tertiary	23.47 (0.63)	30.89 (0.73)	26.53 (0.48)	5.73 (0.69)	8.07 (0.85)	6.65 (0.54)
Other	1.04 (0.13)	0.68 (0.12)	0.89 (0.09)	1.75 (0.39)	1.06 (0.30)	1.48 (0.26)
Total	100.00	100.00	100.00	100.00	100.00	100.00

Notes: Own calculations from the Quarterly Labour Force Survey. The data are weighted. Sample not restricted to the working age population

These data show that there is a cohort of informal sector operators who continue to be very poorly educated – evidenced by the fact that, in the third quarter of 2014, 5% of informal sector workers reported having no schooling and a further 12% having only some primary schooling but not having completed even primary school. This suggests a targeted adult basic education programme for this group is warranted.

While men are often better educated than their female counterparts in terms of schooling, more women than men are reporting to have completed secondary school and to have tertiary education in both the formal and informal sectors. With respect to the informal sector, given the differentials in earning reflected in Section 11 below, this is counter intuitive and requires further investigation.

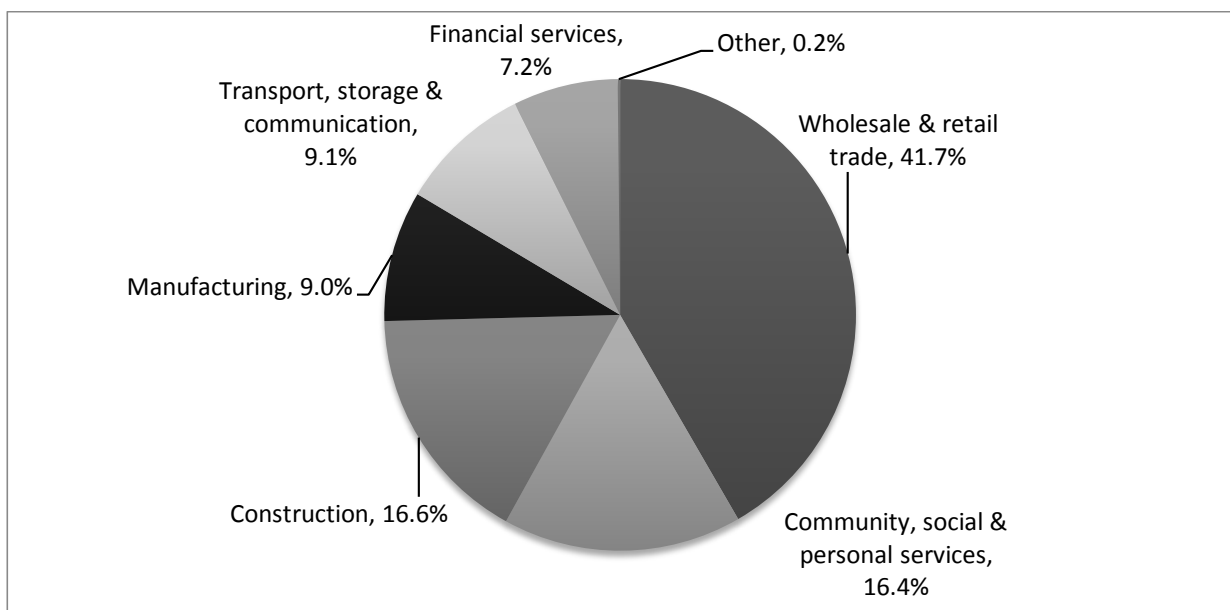
9. Characteristics of informal sector jobs – industry and occupation

The informal sector is a broad category, within which there is substantial diversity. For policy making, disaggregation by industry is particularly important since, as is the case with the formal sector, different industries have very different constraints to viability and growth and thus different policy needs. This is clear from more detailed industry or worker group studies; note, for example, the very different experiences and policy suggestions for street vendors and waste pickers respectively from two studies conducted simultaneously and using the same methods reflected in Dube, Mkhize and Skinner (2013) and Quasi, Dube and Mkhize (2014). Figure 5 below shows the distribution of total (non-agricultural) informal sector employment

(counting owner-operators as well as employees) across standard industry sectors for the third quarter of 2014.

The dominant industry is trade – comprising 42% of informal sector employment. Essop and Yu (2008: 23) find that trade accounted for 50% of total informal sector employment in the 1997-2006 period, suggesting a relative decline in the dominance of trade. The next most important industries are construction and ‘community and social services’ – at just over 16% each. Manufacturing, at 9% of total informal sector employment, is a relatively small component of the South Africa informal sector, in comparison to other developing countries⁹. Informal transport services is a source of employment for many, while financial services employ 7.2% of informal sector workers.

Figure 6 Distribution of total non-agricultural informal sector employment across standard industry categories (2014 Q3)



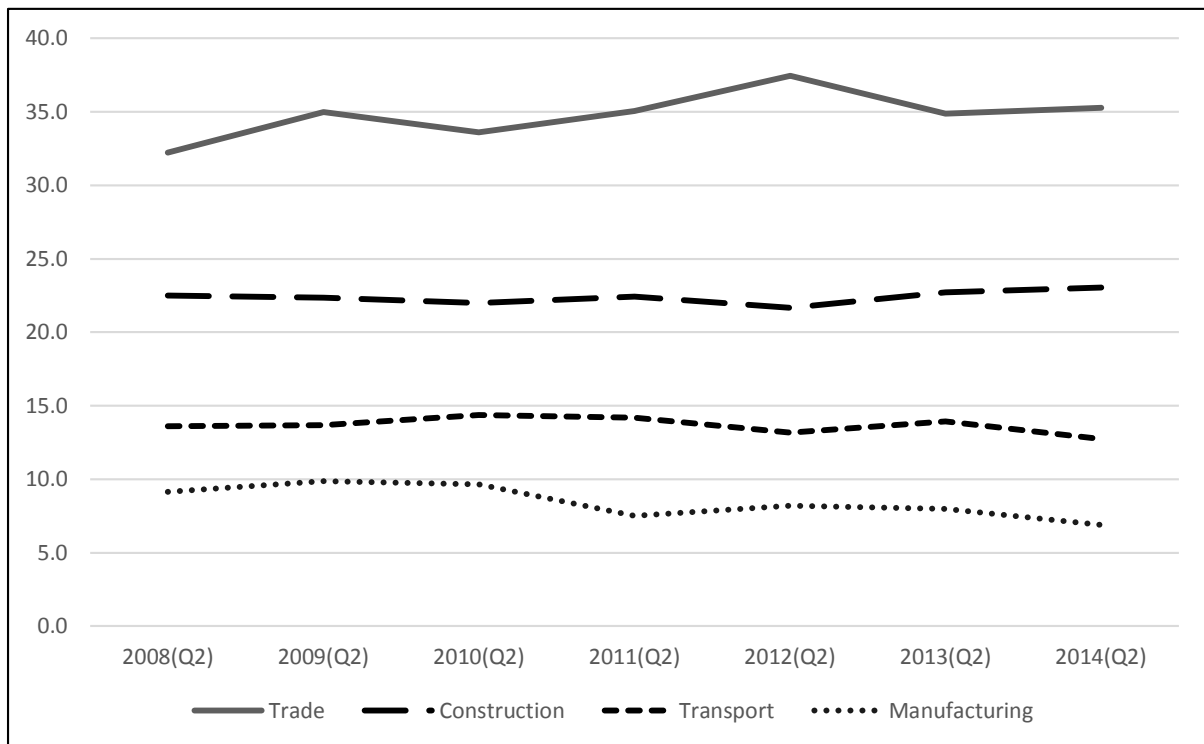
Notes: Own calculations from the Quarterly Labour Force Survey. The data are weighted. Sample not restricted to the working age population.

The two figures below extend the analysis by showing trends over time first in male and then female informal sector employment for the four dominant industries. Figure 6 shows that for men, trade, construction, transport and manufacturing are important sources of informal sector employment and that, aside from a relative increase in informal trade, the industry composition of male informal sector employment was largely unchanged over the period. For women, trade,

⁹ Vanek et al (2014:13) present regional estimates of informal employment by industry. Though not directly comparable, being based on the broader concept, the estimate for Sub Saharan Africa for manufacturing is 17%; it is likely that the figure for informal-enterprises component of this would be much higher. This shows the extent to which manufacturing activities are underrepresented in the South African informal sector.

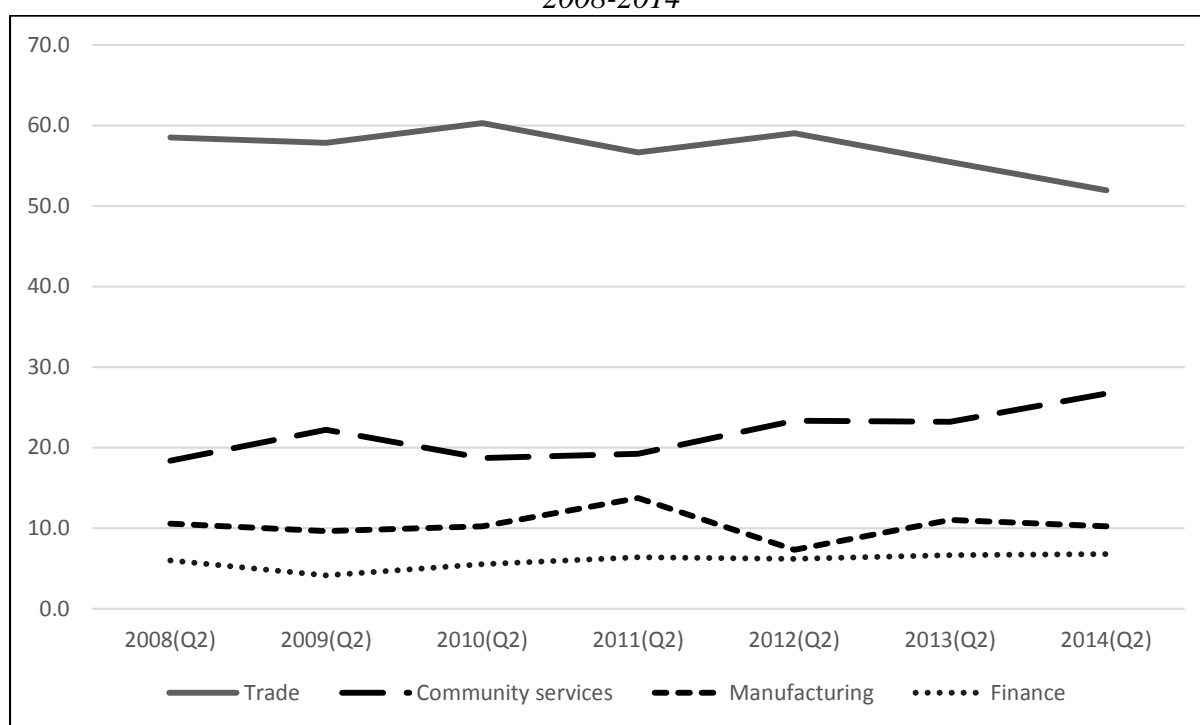
community services, manufacturing and finance are the dominant industry segments. Informal trade has traditionally been a bigger component of informal sector employment, for women relative to men, but much of the decrease in total female informal sector employment occurred in trading between 2008 and 2014. The other change is the growing contribution of the informal community services sector to female employment. This category includes a range of activities and occupations such as child minders, hairdressers, small-scale caterers and traditional medicine practitioners.

Figure 7 Male informal sector employment disaggregated by the four dominant industries, 2008-2014



Notes: Own calculations from the Quarterly Labour Force Surveys. The data are weighted. Sample not restricted to the working age population.

Figure 8 Female informal sector employment disaggregated by the four dominant industries, 2008-2014



Notes: Own calculations from the Quarterly Labour Force Surveys. The data are weighted. Sample not restricted to the working age population.

Informal sector employment by occupation group gives another sense of the diversity in the informal sector. Tables 5 and 6 present these data for own-account operators and employees respectively – and they do show some notably different patterns. Over the period, owner-operators of enterprises remained concentrated in elementary occupations, services, and crafts (builders, mechanics, welders), although managerial positions have an almost 9% share in 2014 (nearly doubling since 2008). A statistically significant decline has occurred in the elementary occupations category which, together with service enterprises, provide just over half of all self-employment jobs in 2014. Within the single largest category, elementary occupations, the sub-category of food street vendors has declined significantly: from 27.8% of all those in informal self-employment in 2008 to 18.9% in 2014. Given the role played by informal food vendors in food security¹⁰, this drop should be the source of policy concern. This particular decrease is likely to be linked to the decrease in female own-account workers in the trade sector seen in table 4. Shebeen ownership has also dropped.

¹⁰ For evidence on this see Battersby (2011) and Skinner and Haysom (2016)

Table 7 Occupational distribution of informal sector self-employment (2008-2014)

	2008 Q2		2014 Q2	
Managerial	4.75	(0.46)	8.68	(0.73)***
Professionals	0.96	(0.25)	1.82	(0.36)
Technical professionals	6.98	(0.65)	5.67	(0.67)
Traditional medicine	3.42	(0.38)	2.99	(0.42)
Clerks	0.33	(0.12)	0.67	(0.20)
Service workers	17.59	(0.83)	18.38	(1.06)
Shebeen owner	3.31	(0.38)	1.87	(0.39)*
Hairdresser	3.13	(0.39)	4.02	(0.53)
Spaza owner	6.23	(0.53)	6.32	(0.67)
Craft	24.59	(0.99)	26.46	(1.28)
Bricklayers and stonemasons	5.93	(0.51)	6.12	(0.83)
Mechanics	3.13	(0.42)	3.73	(0.50)
Tailors	2.12	(0.35)	0.98	(0.21)**
Welders	1.48	(0.27)	1.48	(0.39)
Plant & machine	2.61	(0.32)	3.37	(0.54)
Elementary	41.46	(1.10)	34.10	(1.24)***
Street vendor of foodstuffs	27.84	(0.98)	18.89	(0.99)***
Street vendor of non-foodstuffs	7.60	(0.61)	9.30	(0.74)

Source: Own calculations from the Quarterly Labour Force Surveys.

Notes: The data are weighted (reweighted to reflect the 2011 Census benchmarks). Standard errors in brackets. Sample not restricted to the working age population. Categories are not exhaustive so columns do not total to 100%.

*** Denotes a statistically significant different figure in 2014 relative to 2008 at a 99 per cent level of confidence; ** Denotes a statistically significant different figure in 2014 relative to 2008 at a 95 per cent level of confidence * Denotes a statistically significant different figure in 2014 relative to 2008 at a 90 per cent level of confidence.

For informal sector *wage employment*, the occupational distribution also consists largely of service workers, elementary occupations and crafts (with bricklaying important also for employees); ‘plant and machine operators’ appears as a much more important category for employees than for owner-operators. In the service industries, informal sector employees are more likely to be cooks, security guards and sales persons – while the self-employed tend to own spaza shops or shebeens. Within the elementary occupation category, street vending is not an important employer; actually there is no single dominant sub-category amongst the various types of labourers (e.g. construction, non-domestic cleaners, packers etc.). Matching the situation of owner-operators, elementary occupations and service-sector jobs together provide just over half of all wage employment jobs in 2014. The only statistically significant increase, over the period, is found in the services sector.

Table 8 Occupational distribution of informal sector employees (2008-2014)

	2008 Q2		2014 Q2	
Managerial	2.16	(0.37)	1.54	(0.34)
Professionals	2.72	(0.45)	1.89	(0.44)
Technical professionals	5.22	(0.56)	5.68	(0.70)
Clerks	8.26	(0.74)	6.04	(0.73)
Cashiers	2.82	(0.41)	2.29	(0.46)
Receptionists	1.63	(0.38)	1.18	(0.37)
Service workers	17.57	(1.03)	24.85	(1.33)***
Cooks	1.99	(0.38)	4.86	(0.61)***
Protection services	3.66	(0.51)	4.22	(0.64)
Sales persons	4.60	(0.56)	7.54	(0.82)**
Hairdressers	1.89	(0.39)	1.79	(0.39)
Craft	19.88	(1.10)	18.16	(1.23)
Bricklayers and stonemasons	4.99	(0.56)	6.69	(0.87)
Painters and related workers	1.74	(0.36)	1.20	(0.31)
Mechanics	1.69	(0.35)	1.78	(0.45)
Plant & machine	14.73	(1.07)	14.15	(1.14)
Taxi drivers	9.20	(0.91)	9.31	(0.96)
Car taxi and van drivers	2.66	(0.52)	2.36	(0.54)
Truck and lorry drivers	0.96	(0.26)	0.48	(0.16)
Elementary	28.62	(1.22)	27.26	(1.37)
Helpers and cleaners	4.28	(0.52)	5.20	(0.64)
Construction labourer	2.15	(0.37)	1.21	(0.30)
Hand-packers and related	2.14	(0.35)	1.76	(0.35)

Source: Own calculations from the Quarterly Labour Force Surveys.

Notes: The data are weighted (reweighted to reflect the 2011 Census benchmarks). Standard errors in brackets. Sample not restricted to the working age population. Categories are not exhaustive so columns do not total to 100%. *** Denotes a statistically significant different figure in 2014 relative to 2008 at a 99 per cent level of confidence; ** Denotes a statistically significant different figure in 2014 relative to 2008 at a 95 per cent level of confidence * Denotes a statistically significant different figure in 2014 relative to 2008 at a 90 per cent level of confidence.

10. Informal sector employment by province, metropolitan area and area type

Since 1993, when the Businesses Act – the primary law regulating business activity, including informal businesses – was devolved to provincial government, this level of government became a key player in the informal sector policy environment. An analysis of informal sector employment by province suggests a high level of variation; table 7 shows the provinces ranked from the smallest to the largest informal sector.

The provinces with comparatively large informal sectors are Limpopo, Mpumalanga, Eastern Cape and KwaZulu-Natal where between 20% and 30% of total non-agricultural employment is in the informal sector. The Western Cape and Gauteng proportionally have the smallest

informal sectors with only 10 % and 12% of their workforce working in the informal sector in 2014.

Table 9 Informal sector employment as a percentage of total non-agricultural employment, by province

	2008 Q2	2014 Q2	Change (percentage points)	Relative change (%)
Western Cape	10.14 (0.56)	10.35 (0.61)	0.21	2.07
Gauteng	13.49 (0.51)	12.42 (0.59)	-1.07	-7.93
Northwest	15.24 (0.94)	13.49 (1.15)	-1.75	-11.48
Northern Cape	13.36 (1.17)	14.24 (1.58)	0.88	6.59
Free State	20.00 (1.05)	15.40 (1.05)	-4.60	-23.00**
KwaZulu-Natal	21.99 (0.74)	19.08 (0.82)	-2.91	-13.23*
Eastern Cape	26.26 (1.21)	22.35 (1.19)	-3.91	-14.89*
Mpumalanga	25.22 (1.06)	25.61 (1.22)	0.39	1.55
Limpopo	29.53 (1.22)	29.87 (1.21)	0.34	1.15

Notes: Own calculations from the Quarterly Labour Force Surveys (second quarters). The data are weighted. Sample not restricted to the working age population. Estimates exclude work in private households. *** Significant change at the 99 per cent level of confidence; ** Significant change at the 95 per cent level of confidence; * Significant change at the 90 per cent level of confidence.

These figures suggest that different provinces face unique informal sector policy challenges. For those provinces with small informal sectors it should be a policy priority to understand and address constraints to entering the informal sector; provinces with comparatively large informal sectors should focus on constraints to growth faced by those in the informal sector. Table 7 also reflects changes over time between 2008 and 2014. Amidst minor changes in most provinces, significant decreases occurred in the Eastern Cape, KwaZulu-Natal and especially the Free State.

QLFS data on averages for metropolitan (metro) and non-metro areas¹¹ as well as by settlement type – where workers live, rather than work – are shown in Table 11. Again we find a high level of variability: for people living in the major metropolitan areas, only 12% of those employed reported working in the informal sector in 2014 – in contrast to 21% for those living in non-metropolitan areas (which also show a small decline in the informal-sector share). Again

¹¹ One caveat, however, is that, while there are eight urban areas in South Africa which have been designated as metropolitan areas, the QLFSs (and the other household surveys conducted by Statistics South Africa) only identify the six largest of these metropolises. Two metro areas from the Free State and the Eastern Cape province (Mangaung and Buffalo City, respectively) are not shown separately. Non-metro areas therefore refer to all areas outside of the six largest metropolises.

this has implications for provincial strategies, with greater attention having to be paid to how non-metropolitan local authorities are supporting informal sector enterprises.

Table 10 Informal sector employment by area type as a percentage of total non-agricultural employment

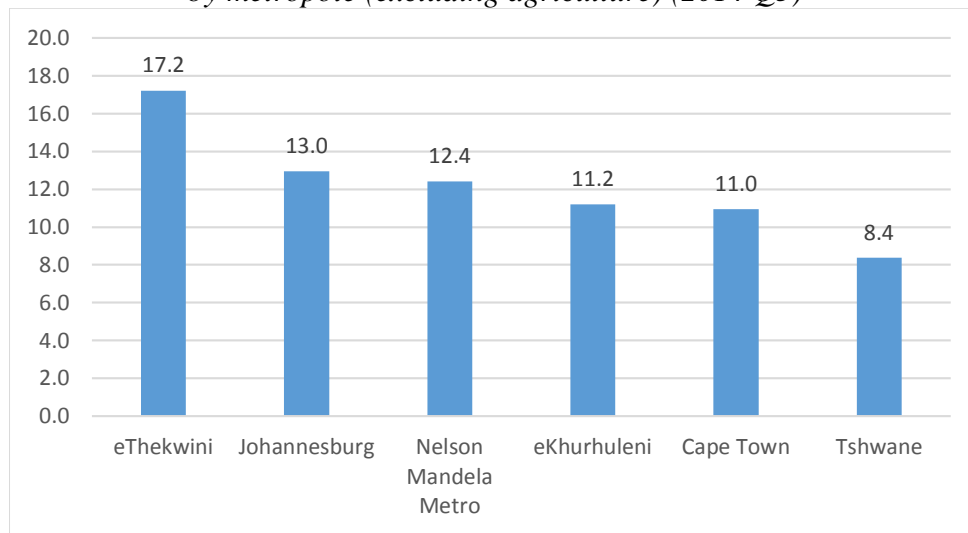
	2008 Q2	2014 Q2	Change (percentage points)	Relative change (%)
Metros				
Metro	13.16 (0.38)	12.19 (0.45)	-0.97	-7.37
Non-metro	22.78 (0.43)	21.03 (0.45)	-1.75	-7.68**
Area (settlement type where workers live)				
Urban formal	12.86 (0.31)	12.77 (0.36)	-0.09	-0.70
Urban informal	24.36 (1.20)	18.33 (1.26)	-6.03	-24.75**
Tribal area	36.37 (0.76)	32.35 (0.81)	-4.02	-11.05**
Rural formal	11.57 (1.77)	9.81 (1.62)	-1.76	-15.21

Notes: Own calculations from the Quarterly Labour Force Surveys (second quarters). The data are weighted. Sample not restricted to the working age population. *** Significant change at the 99 per cent level of confidence; ** Significant change at the 95 per cent level of confidence; * Significant change at the 90 per cent level of confidence.

The data also suggest a predominance of informal sector jobs amongst workers living in urban informal settlements as well as tribal settlement areas. The comparison of two points in time however suggests that there is significant overall decline in the informal sector as a source of employment for those living in both these settlement types - a cause for further interrogation and perhaps concern.

Figure 9 reflects the relative size of the informal sector in South Africa's six largest metropolises in 2014. This shows eThekweni with the largest share of its non-agricultural workforce in the informal sector at 17.2% (or just under 200 000 individuals) while Tshwane has the smallest at 8.4% (or just over 90 000 individuals). The largest *number* of people working in the informal sector is found in the Johannesburg metro, with about 250 000 individuals.

Figure 9: Percentage share of informal sector employment in total employment by metropole (excluding agriculture) (2014 Q3)



Notes: Own calculations from the Quarterly Labour Force Survey. The data are weighted.

11. Informal sector earnings

The QLFS data allow an analysis of earnings levels in the informal sector, also by gender. Table 12 shows mean and median monthly earnings for informal-sector employment categories, as well as for the formal sector, for comparison.¹² The mean and median values are quite different, reflecting the skewness of the distribution of earnings – which implies that comparisons of medians may be more informative than means. (The median is the value exactly in the middle of the distribution; the mean may be lower or higher, depending on the distribution.)

The table highlights two important characteristics of the sector. The first is that informal sector earnings are low in both relative and absolute terms. For example, both mean and median monthly earnings are more than twice as high in the formal sector compared with the informal sector. The average (or typical) worker in the formal sector earned about R5 000 per month in 2011 while the typical informal sector worker earned only R1 733. The differences between formal and informal sector earnings are greater for women than for men. The 2011 median monthly earnings (i.e. earnings at the midpoint of the earnings distribution) of men in the informal sector are just less than half the earnings of their formal-sector counterparts. For

¹² These estimates were calculated from the Post-Apartheid Labour Market Series (PALMS) a stacked cross-sectional dataset created by researchers from DataFirst at the University of Cape Town. The series contains data from 39 household surveys conducted by Statistics South Africa between 1994 and 2012. The earnings estimates presented in this table are based on annualised earnings data from the 2011 Quarterly Labour Force surveys (but re-weighted in the PALMS series). Annualised earnings data for the years after 2011 were not available at the time of analysis.

women in the informal sector, however, median earnings are only a third of those in the formal sector.

Second, and in line with the related literature (e.g. Heintz and Posel 2008), the earnings data from the QLFSs demonstrate gender differentiation within the informal sector: men earn more than women. In the sector as a whole, both the mean and median earnings of women are only about 75 per cent of men's earnings (which, interestingly, is about the same as the ratio for the formal sector). This gender difference, is particularly pronounced among the informal self-employed, where women's median earnings are only 50 per cent of men's median earnings (i.e. R1 500 and R3 000, respectively). In addition, earnings in the informal sector are significantly higher for the self-employed than for employees. This is particularly the case for men, where average earnings in 2011 are about R5 700 per month for the self-employed but only R2 700 per month for informal sector employees.

Table 12 Monthly earnings (Rands) in non-agricultural employment (excluding domestic work), 2011 Q4

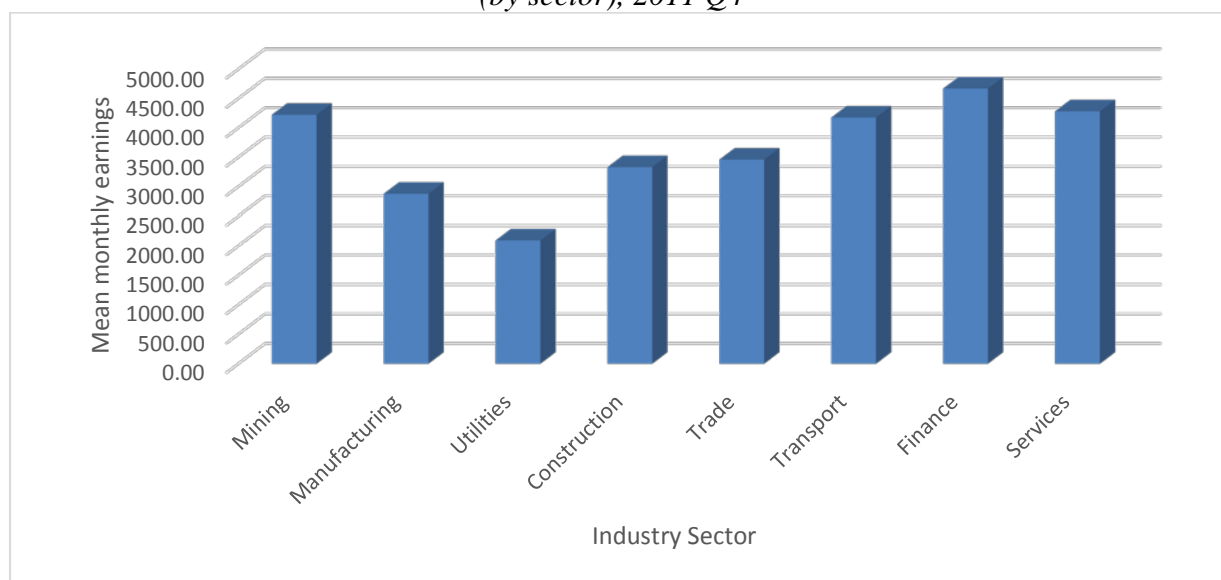
	Informal self-employment	Informal-sector employees	Total informal sector	Formal sector
	All			
Mean monthly earnings	4,684.00 (237.74)	2,704.26 (80.96)	3,462.22 (112.52)	8,430.06 (116.87)
Median monthly earnings	2,000	1,646	1,733	5,000
	Men			
Mean monthly earnings	5,713.30 (350.27)	2,746.20 (96.52)	3,829.13 (149.71)	9,357.14 (178.48)
Median monthly earnings	3,000	1,733	2,000	5,000
	Women			
Mean monthly earnings	3,360.36 (294.39)	2,605.54 (148.63)	2,835.94 (163.91)	7,159.90 (126.45)
Median monthly earnings	1,500	1,500	1,500	4,500

Source: Own calculations from the 2011 Quarterly Labour Force Surveys/PALMS

Notes: The data are weighted (cross-entropy weights). Standard errors in brackets. Expressed in real 2011 prices.

Lastly, the data in Figure 10 suggest that there is considerable variation in earnings across industry groupings. Average earnings are lowest in utilities, manufacturing and trade. Mean monthly earnings in the informal finance sector, for example, are more than twice as high as average earnings in utilities. Within the informal trading sector, which is the single largest component of the informal sector, average monthly earnings are about R3,500 per month while median monthly earnings (not shown in graph) in this sector are only R1,600.

Figure 10: Mean monthly earnings (Rands) in non-agricultural informal sector employment (by sector), 2011 Q4



Source: Own calculations from the 2011 Quarterly Labour Force Surveys/PALMS
 Notes: The data are weighted (cross-entropy weights). Expressed in real 2011 prices.

12. Policy implications and areas for future research

This Working Paper has reflected on post-2008 trends in the South African informal sector. This period is important for a number of reasons. First, it overlaps with the height of the global economic crisis and its aftermath. There is a debate both in South Africa and internationally about the role played by the informal sector in times of crises. Second, in the South African policy arena this coincides with greater attention being paid to the informal sector at a national level (most notably the NDP projecting significant increases in informal sector employment and the release in 2012 and now implementation of the first national policy on the informal sector, NIBUS) but also at a provincial level with the increasing focus on the so-called township economy. The new policy pronouncements have either made scant reference to or ignored readily available QLFS and other data on the informal sector. The NIBUS document, for example, uses another unspecified data source. The NDP does cite QLFS figures, but the claim that the informal sector will provide a cushion in times of crisis (in the chapter on social security) combined with a projected increase in informal sector employment (in the section on employment) suggests that this plan was not informed by a deeper interrogation of QLFS data on the informal sector.

This analysis shows that there has not been significant growth in informal sector employment numbers over the 2008-2014 period; moreover, the share of the informal sector in total (non-agricultural) employment has remained steady at between 16% and 18% in this period. In the global economic crisis period, rather than absorbing new entrants who were retrenched in the formal sector the informal sector was actually shedding jobs. At the height of the crisis (the

third quarter of 2009) the share of total non-agricultural employment in the informal sector had decreased to just above 16%, demonstrating that the informal sector was disproportionately affected. This suggests that the informal sector may well be particularly vulnerable in times of crisis and cyclical downturns. The policy implication is that the informal sector might in fact need extra support over these periods.

While there have not been substantial changes in the overall number of people working in the informal sector this analysis also shows a significant reconfiguration of the gender composition of the informal sector. During the crisis, and for the first time in the period for which data are available (since 1997), this sector became a relatively greater source of employment for men than for women. The data demonstrate that the women that remain in the informal sector are much more likely to be own account workers and less likely to be employers, relative to men, and even within the same occupational group, they earn significantly less than their male counterparts. This is counterposed by the importance of monies in the hands of women in securing household wellbeing (Duflo, 2003) and corresponding poverty alleviation implications.

In the economics discipline and in policy discourse, much emphasis is placed on those in the informal sector who are generating employment or those demonstrating ‘greater’ entrepreneurship. NIBUS (2013: 8), for example, is at pains to differentiate between survivalists and entrepreneurial activities in the informal sector, stating that the target of the strategy is entrepreneurs. Given what the data have shown of the gendered nature of the informal sector, an exclusive focus on entrepreneurs is likely to further marginalise women in this sector – which in turn would not maximise the poverty-alleviation impact of government policy. There should rather be a holistic approach that focuses both on the more than one million own-account workers and the employers and their employees,¹³ and should arguably specifically target women.

This analysis also highlights other lines of differentiation that might better assist in policy formulation. Consider for example industry and occupational distribution. NIBUS identifies five priority sectors – trade/retail, manufacturing, services, construction and agriculture / agro-processing (DTI, 2014:9). These are confirmed and detailed in the NIBUS implementation plan (Department of Small Business Development, 2016:3-4). While these are broadly in line with dominant industry segments of the informal sector as reflected in the QLFS and SESE, neither of these two nationally representative datasets are used to rationalise the selection of these priorities, nor referred to in outlining the types of activities listed within these sectors. Analysis of QLFS data by industry and occupational distribution, informed by changes over

¹³ This group may have particular conditions of employment concerns, an issue that seldom receives much attention.

time, offer the opportunity of policy decisions being based on a thorough understanding of where people currently work and which sectors are growing / contracting. Overlaid with analysis by gender and income would allow the trade-offs (between for example men and women, more and less lucrative activities) inherent in targeting to be made visible. Informed by this data, the selection of sectors could explicitly balance more growth-orientated, male-dominated industries like construction, with women-dominated and less lucrative segments like educate. QLFS and SESE data sources provide a rich resource that should be a starting point for policy makers, particularly at national and provincial level¹⁴. Not drawing on this data is a missed opportunity for data driven policy making.

With respect to areas for future research, identifying the barriers to entering the informal sector remains a critical question. This has been a longstanding curiosity in the literature (Kingdon and Knight, 2004; Heintz and Posel 2008; Cichello et al 2011). The analysis in this Working Paper adds a spatial dimension to existing debates. QLFS data show that the informal sector is remarkably small in certain provinces (the Western Cape, Gauteng), and cities (Tshwane and Cape Town) but also area types (urban and rural formal settlements) – whereas a larger informal sector is found in provinces such as KwaZulu-Natal, Eastern Cape, Mpumalanga and Limpopo. Further interrogation of particular constraints to, or factors promoting, entry into the informal sector in these contexts could shed additional light on this issue with important policy implications. Factors to consider would be the strength of, and dynamics within, the formal economy (Du Toit and Neves, 2007, Philip 2010) provide useful insights on this issue) and the changes in regulatory environment driven by anti-migrant sentiments (see Crush et al, 2015 and Rogerson, 2015a).

A related issue is the drop in women's participation in the South African informal sector. The data suggest that there has been a particular drop in women's participation in trade, and a significant decline in street vendors selling food – an occupation that traditionally has been dominated by women. Further research also needs to be done on what might be driving women out of the informal sector in general and informal trade in particular. A good starting point would be to do further analysis of the QLFS and let this inform in-depth interviews with women currently working in the informal sector to understand their particular constraints and women who have recently opted out of informal sector work to understand this decision.

¹⁴ Sample sizes at city level are small, suggesting local authorities need to do further survey work to unpack informal sector dynamics at this scale.

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It is aimed at deepening understanding of the dynamics of employment, incomes and economic growth trends, in particular by focusing on the interconnections between these three areas.

The project is designed to promote dialogue across disciplines and paradigms and to forge a stronger engagement between research and policy making. By generating an independent, rich and nuanced knowledge base and expert network, it intends to contribute to integrated and consistent policies and development strategies that will address these three critical problem areas effectively.

Collaboration with researchers at universities and research entities and fostering engagement between researchers and policymakers are key objectives of the initiative.

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