

# **Understanding Self-Employment at the Margins of the South African Economy**

**Findings from a Pilot Study on Qualitative Approaches to Self-Employment**

A Report for the National Income Dynamics Study Steering Committee

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## Executive summary

### **Background**

This report describes the key aspects of a pilot project on qualitative approaches to self-employment to complement the National Income Dynamics Study.

Discussions on qualitative/quantitative integration in NIDS have highlighted the need for integrated work to be tightly focussed on clearly defined research problematics. The pilot project selected the issue of self-employment as central, yet poorly understood issue affecting income dynamics. The purpose of the pilot was to identify key issues for further investigation, and to test qualitative research methodologies that allow synergies with quantitative work.

### **General Approach**

The pilot project developed a *case study-based* research approach to address these questions. In addition, this research approach relied crucially on the development of a *hybrid* research approach that combined the strengths *both* of a ‘firm analysis’ (developing a ‘business’ understanding of the nature of the enterprise) *and* a ‘livelihoods analysis’ that situated self-employment within the context of the livelihoods profile of the household, and which paid particular attention to the ‘hidden transfers’ between the domestic economy of the household and that of the enterprise.

Detailed fieldwork protocols were developed for both foci of this hybrid approach. A separate report records the most important methodological lessons arising out of the process of testing these protocols.

### **Case Studies**

The empirical material of the project consisted of fourteen in-depth case studies conducted across both urban and rural sites. These case studies are briefly presented in the report. They highlight the variegated and multi-focal nature of self-employment. In addition, they also highlight the importance of understanding the structural and contextual factors that shape the possibilities and conditions for self-employment. The research also questions the notion that either informality or formality is inherently good or bad: rather, both formality and informality can be advantageous or disadvantageous, depending on circumstance.

### **A Conceptual Framework**

The pilot allowed the development of a schematic heuristic model for approaching self-employment. Key aspect of this model are as follows:

1. *Self-employment has multifarious and divergent aims.* Although income is important, self-employment cannot be understood without reference to other, broader aims, e.g. reducing vulnerability, increasing food security, amassing ‘social capital’, changing intra-household power dynamics, and so on.
2. People situated at the margins of the economy (“in the second economy” as current parlance has it) *face particularly significant obstacles to their economic agency* (their ability to be act effectively in the economic realm). Understanding self-employment requires a clearer understanding of the underlying factors enabling and undermining the economic agency of self employed people
3. Some of these factors relate to *contextual* and *structural* features: the way people are structurally positioned within the economy; their access to resources; key features of their institutional and regulatory environment and related issues.
4. Alongside the purely economic contextual factors, the research has in particular highlighted the key role played by *social arrangements*. This refers to the internal relationships within households, the synergies between livelihood activities, and the social networks on which individuals and households rely in their economic interactions. These play a vitally enabling role in self-employment, while also often acting as a constraint.
5. Finally, the research has also highlighted the crucial role of the skills, abilities, bodies of knowledge, aptitudes, attitudes and personal resources directly disposed over by the business owner or operator. In particular, the research focussed attention on the importance of *informally* transmitted skills, and the ways in which people can be ‘acculturated’ into entrepreneurship and self-employment.

### **Implications for research**

The report concludes by sketching out a set of thematic research questions highlighting each of these areas, and the need better to understand the relationships between them.

As far as *quantitative* research is concerned, the report suggests that the NIDS questionnaire as it stands already captures many of the issues relevant to an understanding of self-employment at the margins; some minor changes to the questionnaire are suggested in order to improve this focus.

Further qualitative research is however required to elicit many of the complex social dynamics that are not captured by the questionnaire. This report is accompanied by a brief concept note setting out key TOR for such research, and for measures needed to ensure that qualitative and quantitative work can be connected in useful ways.

## 1 Introduction

This report sets out the key findings of a pilot project, funded by SEGA for the Office of the President, on methodological and substantive issues relating to the qualitative exploration of self-employment linked to the National Income Dynamics Study (NIDS). A draft version of this pilot is to be presented to the NIDS steering committee at the end of November 2007.

Initial proposals informing the tender for the National Income Dynamics Study indicated that NIDS would need to integrate qualitative and quantitative approaches (Office of the President). The consortium awarded the tender for the study indicated that NIDS would contain a significant quantitative component (SALDRU 2006). A detailed proposal for qual-quant integration in NIDS was accordingly developed (Du Toit 2007a), and went through several drafts throughout the course of 2007. This proposal clarified some of the key issues relating to qual-quant integration in NIDS, and continues to be refined. Funds were obtained to test and pilot some of the approaches recommended in the PLAAS proposal (PLAAS 2006). The pilot was aimed at identifying more clearly and precisely the key issues for in-depth qual-quant investigation, and at highlighting some key methodological learning.

At the same time, the Steering Committee obtained expert opinion on the proposals for qual-quant integration in general (Shaffer 2007). A key recommendation from this consultation process was the need for qualitative research to be much more focussed. This recommendation will be taken aboard in the refinement of proposals for qual-quant integration (Du Toit 2007b); and furthermore decisively shaped the conduct of the pilot.

This report is therefore one of a bundle of linked documents to be considered by the Steering Committee.

- (1) A memorandum on general options for qual-quant integration within NIDS (Du Toit 2007).
- (2) Findings from a Pilot Study on Qualitative Approaches to Self-Employment (this document).
- (3) Methodological Recommendations from a Pilot Study on Qualitative Approaches to Self-Employment (du Toit & Neves 2007).
- (4) A brief concept note proposing the overall TOR for research on self-employment, based on pilot recommendations (PLAAS 2007).

The report commences with a brief reference to some of the key issues relating to qual-quant integration and a brief discussion of the focus taken by the pilot. It then discusses (again very briefly) some of the key conceptual issues involved in understanding self-employment. It sets out some of the key underlying design issues informing the methodology used in the pilot. This is followed by a detailed discussion of case studies, after which the report considers key emerging findings. Some recommendations are made as to exploring self-employment within NIDS: these recommendations pertain to both qualitative and quantitative research.

## 2 Linking Qualitative and Quantitative Research

Broader issues relating to the linking of qualitative and quantitative research in general are discussed elsewhere (du Toit 2007c) and will not be entered into here in any detail. All that needs to be said within the framework of this report is that the relationship between qualitative and quantitative research is often complex, that they can complement one another in a variety of ways; that qualitative and quantitative research can sometimes also tell confusingly different stories, and that positive integration between them depends on careful design.

Two particular issues informed the pilot design. The first was the need to develop mechanisms and strategies that could be concretely used to link qualitative and quantitative modes of analysis. Discussions around qual-quant integration in NIDS have indicated that one possible way of linking the data generated by qualitative and quantitative analysis is to implement some of the quantitative modules (e.g. income and expenditure) within households or individuals participating in qualitative study. Theoretically this would eventually allow one to ‘situate’ qualitative cases within the quantitative distributions of the NIDS study. The pilot study explored the practicality of this, and makes some recommendations in this regard.

The second was the recommendation that qual-quant integration works best if it is used in a focused manner and guided by a tightly defined research question. For this reason, the pilot did not attempt to test methodologies and approaches for the qualitative investigation and quantitative integration of all the numerous aspects of livelihoods, income, poverty and wellbeing canvassed by the NIDS quantitative research. Rather, it looks in detail at one particular tightly defined set of issues: that of self-employment at the margins of the formal economy.

Clearly this is only one of the many issues that could be prioritised. There are a number of reasons for focussing on self-employment. For one thing, understanding self-employment among those who are ‘excluded’ or ‘in the Second Economy’ is clearly a key policy issue of some strategic importance. For another, understanding self-employment is an issue of key importance in understanding income: income from self-employment is one of the murkier and harder-to-measure issues at the centre of NIDS’ concern. Qualitative investigation of this issue could therefore play an important role in complementing NIDS’ work.

Here, implementation was informed by the understanding that qualitative and quantitative research can support one another in a variety of ways

1. *Qualitative research, by exploring and describing complex social phenomena, can play a key role, not only in answering questions, but in surfacing key questions that need to be asked.* Such questions can require both quantitative and qualitative investigating

2. *Qualitative research can inform conceptual, taxonomical and theoretical understanding.* By highlighting the diversity and variegation of the phenomena under investigation, qualitative research can challenge conceptual and theoretical assumptions and received typologies. Phenomena that from a quantitative perspective are not easily distinguished may show significant qualitative differentiation or similarities. In this way qualitative can inform the underlying theoretical models that guide both qualitative and quantitative research and analysis.
3. *Qualitative research can investigate complex, non-linear causal dynamics and processes that are not directly available to quantitative modelling,* e.g. the role played by social process, meaning, subjective understandings, and the aims and perceptions of informants. Sometimes (but not always) some aspects of these can then be quantitatively explored and analysed. Sometimes (more often) quantitative and qualitative research highlight different but complementary aspects of complex social processes

The pilot has tried to address each of these challenges: Firstly, the pilot was aimed at suggesting key questions for further in-depth investigation, and identifying which aspects of self-employment merited particular qualitative focus. Secondly the pilot was concerned with testing the usefulness of some of the underlying concepts informing research; and in particular in going beyond the assumptions and existing categorisations ('survivalist', 'second economy') that inform policy and research. And thirdly, the pilot was concerned with highlighting some of the key processes that shaped the nature of self-employment at the margins of the formal economy. Finally, experiences from the pilot are used to inform aspects of NIDS quantitative design (although this was not originally envisaged, pilot field trips were also used to test particular NIDS modules. Feedback was provided on NIDS questionnaire design in an ongoing way; this feedback is not repeated here except insofar as it pertains to the issue of self-employment).

### 3 Conceptual issues

Discussions of self-employment and the informal sector in South Africa have a long and complex history (see, Beavon and Rogerson 1990; Rogerson 1997; Lund 1998; Devey Skinner & Valodia 2005; Cichello 2005, Cichello et al 2006; Potts 2007; Ferguson 2007). For the purpose of this report, these need not be discussed in detail.

Two issues are however important. The first relates to the approach taken to conceptualising the focus of this study. Firstly, while many of the issues in this report figure in the literature on the informal sector, this study is not in the first place concerned with informality. Many current definitions of the informal sector in South Africa focus on the undocumented nature of economic activities. The current report is not centrally concerned with this issue as such. Though many of the forms of employment relevant to this report are informal in this sense, what makes them relevant is not their undocumented nature, but rather the fact that they are marginal and vulnerable, conducted

by those who are not advantageously incorporated into the mainstream economy. Thus those who are informal in the sense that they are undocumented, but who are advantageously self-employed, do not fall within the current study. This study is interested in the difficulties, obstacles and opportunities facing those operating under conditions of social and economic disadvantage. This study, in other words, is interested in the obstacles and difficulties of *marginalised* self-employment: those whose self-employment is lucrative, but who avoid regulation or taxation because they are unregistered are not of the same policy interest.

Furthermore, some South African scholarship has also extended the notion of informality by highlighting the ways in which some formal sector workers are increasingly operating under conditions similar to those experienced by informal sector workers, due to practices of outsourcing, externalisation, seasonalisation and casualisation (Devey, Valodia and Skinner, 2005). Important as this phenomenon is, the current study is not concerned with informal workers or employees in that sense. The present study is specifically concerned with *self-employment*, which, it is here assumed, is a form of economic agency very different to that involved in labouring (in however exploited a way) for a business owned by someone else.

A final issue here is the central role played in policy discussions about marginalised self-employment since 2003 by the notion of the Second Economy – viz. the notion that persistent poverty is in large part due to the fact that poor people are stuck in a ‘second’ or ‘Third World’ economy existing alongside but disconnected from the first. Elsewhere (du Toit & Neves 2007), we have commented in detail on the difficulties of this concept – not least of which is the difficulty in specifying what is, and what is not, part of the second economy. All that we will say here is that this report does not depend conceptually on this notion. It looks at self-employment conducted by South Africans who are in a broad sense marginalised, and rather than making presuppositions about the nature of this marginalisation, or the extent of their disconnection or connection with the formal economy. It turns the nature of their link to the ‘mainstream’ or ‘formal economy’ into a research question.

A second set of conceptual questions relate to an awareness of the need to apply a disaggregated approach to understanding self-employment. Here, the literature on self-employment often takes a number of different directions. On the one hand, as Cichello has pointed out, South African studies of self-employment and informal employment have often been sector or industry-specific, and have been able to avoid giving the impression that the informal economy is all ‘one similar entity’. On the other hand, there have been a number of homogenising notions. For instance that the second economy is one; another is the notion that various kinds of self-employment can usefully be lumped together into something called the ‘survivalist sector’. A third homogenising tendency has been present in the writing of researchers who look at all marginalised self employed activity through the lens of ‘entrepreneurship’. These are powerful but slippery notions. The ‘survivalist’ sector includes a wide range of very different activities: some ‘survivalists’ are not surviving very well at all, while the aims of others go well beyond survival. Rather than simply seeing them all through this lens, researchers would do well

not to assume what the aims of the protagonists are, but to try to find out. Similarly, the lens of ‘entrepreneurship’ is often highly normative, and encourages analyses in which self employed people are compared to an ideal type of what an entrepreneur is supposed to be like, rather than analyses that try to understand what self employed people are actually trying to achieve and how their actions make adaptive sense within that framework.

The present study charts a careful course here. On the one hand, like the proponents of Second Economy, it acknowledge the importance of paying attention to the underlying common structural factors and common hindrances (Cichello 2006) that play a role in the economic marginalisation of poor self employed people. On the other hand, it tries to avoid imposing normative preconceptions on our understanding of marginalised self-employment. Rather, it tries to explore self-employment as a *particular kind of economic agency* that can take many different forms and have many different aims. It tries to understand the different forms of economic agency involved in self-employment, and is aware of the fact that for different people, and under different circumstances, different outcomes count as failure or success. Rather than impose categories from outside, it tries to uncover what some of these different aims are – as well as the factors that allow people to achieve those aims, or that constrain and undermine their economic agency.

A central role was played in the development of the research project by the notion of **economic agency**. Differently put, when we look at self-employment, we are interested in the extent to which people are able to become economic actors. Agency here is not to be understood with reference to the structure/agency opposition that informs so much sociological theorising, where the two are often seen as mutually exclusive, and where agency is assumed to be either present or absent. Rather, we are interested in what people are able to do economically, the kinds of agency involved in self-employment, and – crucially – the underlying enabling or disabling conditions that support or undermine this ability (rather in the way that particular commodities or resources, in Amartya Sen’s work, allow the realisation of particular human ‘beings and doings’). Conceptually, then, this report is particularly interested in the factors that enable or constrain self-employment: how these conditions shape or mediate it in different ways; and how people in turn act on these conditions to make their own histories.

## 4 Key Research Questions

The pilot therefore set out to answer two basic research questions. Each of these of course is subject to extensive comment, and can be unpacked into numerous more detailed sub-questions: here, they are briefly set out in their simplest form

1. Firstly, what are the different forms and formations of self-employment?  
Differently put, what are the different kinds of things self employed people do?  
What is it they are trying to achieve?



2. Secondly, what are the factors that shape their ability to achieve these aims? Here, it is important to pay attention both to the factors and issues explicitly identified by the protagonists, and the issues that researchers themselves can identify.

## **5 Methodological challenges: researching self-employment**

### ***5.1 Hidden Transfers: capturing household and business dynamics***

Answering these questions poses a number of complex methodological challenges. Many of these are common to qualitative livelihoods-oriented research everywhere: challenges relating to understanding the complexities of local context, internal household dynamics, and intra-household relationships: these have been exhaustively discussed elsewhere (Murray 2003) and will not be discussed here. Much more relevant are the very particular challenges facing researchers concerned with self-employment.

Key among these is that many existing studies of self-employment are characterised by a dichotomy which prevents it from being clearly understood. On the one hand, most studies of self-employment or ‘informal economic activity’ are usually conceptualised and investigated from the perspective of the enterprise. An alternative approach is to consider issues of self-employment within a broad household based livelihoods approach. Each of these approaches captures something important – and leaves something equally important out. Approaches that consider self-employment purely by considering self-employed activities as ‘businesses’ often miss the complex dynamics that link such ‘businesses’ to the households they support and on whom they depend. Family members, for example, often contribute significantly to small businesses through contributing free labour, but such contributions are often not seen as constituting ‘employment’ by self-employed people and is often not captured as such in surveys. Not only does this mean the monetary and economic aspects of these ‘businesses’ are not well understood, since such important value contributions go uncounted; a narrowly economic analysis also ignores the complex and important social dynamics that accompany such hidden transfers. Often there is a hidden politics around who contributes such labour, and around the invisible domestic reproductive labour that enables economic activity. Similarly, ‘off-take’ by household members from the enterprise is poorly measured and inadequately understood. Such off-take is very difficult to capture in household expenditure modules as they are currently designed; and again not every household member benefits equally from such off-take.

At the same time, approaches that focus primarily on surveying ‘household livelihood activities’, although they are much better at capturing the complex ways in which livelihoods are composed at household level, often take for granted, or are blind to, the internal dynamics and business nature of the activities in which households are involved. Typically, such surveys may capture who is involved in them, or where food and other resources come from, but the question of why people are involved in this business rather

than, and why a particular enterprise requires the inputs (and delivers the benefits) it does, are usually bracketed.

This report attempts to challenge this dichotomy, and tries to look at self-employment ‘through both eyes’; it attempts understand self-employment by taking as its analytic unit neither the simply the enterprise nor the household, but rather a unitary enterprise-household nexus.

## **5.2 Key factors to consider**

The present report is predicated on a number of assumptions. It argues that understanding informal self-employment requires an understanding of:

1. *Context.* It is not enough simply to ask what self-employed people are doing and what income they derive from it; it is also necessary to understand how these factors are shaped by local context. One aspect of this context is dictated by ‘horizontal’ factors: the mediating influence of the situation created by the structure and composition of the household within which self-employment is situated, and the way in which this household and the people within it are in turn located in a community and regional context. Another is provided by the ‘vertical’ upstream and downstream connections of the value chains and commodity system that link particular activities to often distant places and processes as informal economic activity is shaped by the specificity of these various contexts, analysis of these multiple levels is required.
2. *The household system and non-market labour.* The rubric of self-employment invariably privileges remunerated economic activity. However at a household level remunerative economic activity is often dependent on substantial, but often invisible investments in unpaid domestic work. This invisible work ranges from efforts towards domestic reproduction such as care work, through to efforts orientated towards supporting household survival such as agrarian production, forms of natural resource extraction, waste picking etc. Not only do these activities contribute to household level subsistence, they can facilitate remunerative economic activities such as self-employment. The present report seeks to remain sensitive to how self-employment is supported by these often unrecognised activities within the household context. Again, as in the case of commodity chains, the ‘care chains’ created (particularly among migrants) around paid and unpaid care work can often connect households to distant places and processes, and can significantly alleviate (or worsen) vulnerability to shocks.
3. *Individual in context.* Having suggested the place of broader social and household context, it is important to stress that at the centre of self employed economic activity are individuals, acting in space and time. Self-employment is therefore irreducible to the macro-structural context rather it requires analytic attention on the individual social actor. Central here is the recognition that strategy and decision making (‘firm behaviour’ at an individual level) is never

simply directed by straightforward considerations of self-interest, efficiency, and the maximisation of gain. As Jan D’ouwe van der Ploeg has shown in his analysis of ‘farming styles’ in commercial agriculture, there are always a *number* of valid, ‘efficient; and gainful solutions to the problems faced by any business or self employed person, and the decision about which one to choose is never simply a technical one. This attentiveness to questions of individual agency, action and meanings, serves to enrich understandings self-employment.

4. *Time and history.* Informal self-employment invariably is underpinned by histories both personal and institutional, and needs to be understood as such. The historical quality and the dynamic nature of self-employment demands inquiry go beyond a once off, static ‘snapshot’ of the activities, enterprises or households, and understand these within their temporal trajectories.

### **5.3 Fieldwork Approach**

A key purpose of the pilot was to develop a field methodology that could capture the above sets of issues. The methodological aspects of the pilot are described in detail in a separate document Methodological Recommendations from a Pilot Study on Qualitative Approaches to Self-Employment. In essence, fieldwork relied on a two-stage approach to households.

In the first place, fieldwork involved a detailed, in-depth semi-structured interview with the business owner or main operator. This looked at the self-employment activities, and considered a wide range of issues relating to the business (history, structure, assets, use of employment, relations with suppliers, access to credit, relations with customers, issues relating to infrastructure and the right to trade, etc).

This was followed up by a detailed in depth livelihoods profile of the household. This section was methodologically similar to the in-depth household livelihood profiles done by the present authors for earlier study (see du Toit and Neves 2006); but with particular focus on tracking the hidden transfers between the domestic economy and the business.

Informed consent was sought from informants, interviews were digitally recorded and informants signed a release form. In cases where the enterprise and household interviews were conducted with different individuals, the new informant signed a release form. Informants were rendered anonymous in the text.

### **5.4 Sampling**

For the purpose of the pilot, sampling presented particular challenges. On the one hand, it was not a key concern of the researchers to be able to make reliable or valid generalisations about self-employment in South Africa. So getting a particularly large selection of case studies, or ensuring that they were regionally or nationally representative was not a key issue. On the other hand, the case studies had to be selected

in a way that allowed them to indicate something of the range of variation and the diversity of forms of self-employment that could be encountered.

For this reason, it was decided not to focus case study selection on a particular sector or kind of business. A further aspect of case study selection related to the size of the business, care was taken to get a reasonable spread of business sizes, and very small businesses were not excluded. At the same time, it was envisaged that the most interesting and important businesses from a policy point of view were not those who were vanishingly small ‘nano’ enterprises with turnovers of only a few hundred rands a month. Important as those businesses are to their operators, the focus would be on businesses that at least seemed to be able to provide their owners with an income that kept them (if only just) out of poverty. At the same time, it was decided that case study selection would include one or two of the very smallest, most marginal enterprises, for the reason that salient aspects of case studies very typically emerge by contrast.

### **5.5 Choosing Case Studies**

Case studies were chosen from two areas: Khayelitsha, in Cape Town, and a village in the Alfred Nzo municipality in the vicinity of Mount Frere in the Eastern Cape. Case study selection is discussed in more detail in the methodological paper, but case study selection methods were not piloted in this project. The focus was on piloting the interview methodology and learning about conceptual issues from the case study. Rather, the research team worked in research areas that they knew well, and used their own knowledge of the area – and guidance from local informants – to identify case studies for investigation. The cases selected were purposively sampled to generate variety along the dimensions of: i) enterprise type, ii) sector (viz. production / manufacturing, retail and services), iii) geographical spread (within the focal research sites), iv) and finally, v) particular cases selected because they were unusual or seemed to ‘buck’ trends.

## **6 Case Study Description**

### **6.1 Overview**

In the present pilot research project a total of 14 case studies of informal self-employment were gathered, eight of these were located in an African township of urban Cape Town and six in the rural village of the Eastern Cape.

The cases chosen come from the dominant sectors in which marginal self-employment is found: small retail (‘spaza’ shops), food preparation and vending, dressmaking and retail, transport, skilled artisanal work, crafting, and building. The businesses for the most part a tier above the lowest levels of survivalist or ‘nano’ enterprises. Case study selection, in other words, eschewed the most marginal forms of economic activity, but still focussed on enterprises that occupied the very lowest tiers of what is conventionally referred to as the SMME sector. All the businesses were informal – they kept few records, stood

largely outside of the regulatory net of taxation, health, safety and employment legislation, and operated for the most part without regard to zoning, rights to trade and any kind of formal business infrastructure. Many of these enterprises or activities were reasonably well established, having run for a number of years, though one or two recently established businesses were also included in the selection of cases investigated.

In terms of sampling it is useful to bear in mind that there are important contextual differences between urban and rural contexts. A necessary condition for judging the presence of self-employment is the criteria of monetised exchange, but rural contexts are generally less monetised than urban areas. Not only can rural livelihoods be augmented by natural resources (water, wood, building materials, agriculture, foraging etc), expenses such as municipal and rental charges avoided, and rural areas are readily characterised as providing more opportunities to claim social entitlements. Urban contexts present fewer such opportunities, and are generally more monetised. However with monetisation ubiquitous and low-level survivalist economic activity widespread in urban areas, the task of picking out cases of informal self-employment is confounded. The sheer surfeit of self-employed activity makes selecting a single (particularly ‘successful’) case all the more difficult. With monetised self-employment rarer and correspondingly more distinctive in rural areas, these cases are easier to analytically ‘capture’. The two contexts are considered in what follows and illustrate different aspects of informal economic activity.

## **6.2 Urban Case Studies: Khayelitsha, Cape Town**

### **Case Study 1: Thenathi - Hardware and second hand goods store**

Middle-aged Thenathi lives by herself in a rambling double storey shack, on a busy arterial route into Khayelitsha. She uses the upstairs portion of her shack as her residence and to store stock. The ground floor of the shack includes a street facing section where a jumble of light hardware goods, and second hand building materials, furniture and clothes are displayed. If the weather is favourable, some of the items spill out onto tables on the pavement. Around the back of the shack is a warren of rooms, from where sangomas independently consult clients. They do not pay rent to Thenathi, the owner of the building.

Thenathi’s sources her hardware supplies from a range of different wholesalers and stores in Cape Town; salvaged building materials (timber, windows and doors) from auctions or a demolition yard; second hand furniture, clothes and general household goods (appliances etc) are mostly acquired at auctions. However Thenathi is flexible in her wares and keeps an eye open for new items - amongst her hardware materials were a range of novelty tune-playing Valentines Day mugs. While towards the end of the research period basic grocery items suddenly appeared in her untidy shop – she seizing the opportunity presented by the closing of a large spaza shop in the vicinity (the family were relocating). Thenathi also has complex synergies with other businesses. Not only do the sangomas (who are distant kin) attract customers who make impulse purchases at her stall, she also sells cosmetic products (such as petroleum jelly and body lotion)

adulterated with special medicinal herbs. Finally if Thenathi lacks a certain hardware item, the client is directed to her father's smaller hardware stall across the road (and vice versa).

Estimating the profitability of Thenathi's business is difficult, when pressed she ventured that perhaps her turnover is as high as R10 000 a month (we are unsure about the accuracy of this). She reports that she never secured a licence or permission from anybody – a street committee, city council etc - to run her business.

In terms of her history, recently widowed Thenathi arrived in Cape Town in the late 1980's with a young baby. She started by selling sweets, mentored by her father to plough profit back into her business. Following her father's example she started selling hardware materials from a table in front of her own shack, before building up her present day stall in the 1990s. She proudly reports having never worked for an umlungu (white person). Although an unconventional choice of business for a woman, she prefers a hardware stall to the spoilage associated with food vending, or the small profit margins of a spaza shop (making only '...five cents profit on a thing', she dismissively said). Thenathi's business operated in synergy with her father's large hardware store across the road. Her parents also had a thriving traditional dress ('German Print') enterprise, with seven sewing machines, operated by foreigner (from elsewhere in Africa, possibly the DRC and Zimbabwe). However the parent's uninsured shack burnt down in 1997, destroying all their stock and sewing machines. Thenathi helped her parents rebuild their business and acquire two sewing machines for them, but her father suffered a stroke soon afterwards. His hardware has remained small since, although her mother still sews, consults as a sangoma and produces elaborate beadwork.

With regards to her domestic arrangements, Thenathi has a boyfriend with his own shack. Several of Thenathi's children used to help out at the stall, but they would reportedly often pocket the money. She consequently sent them to relatives in the Eastern Cape where they are currently schooling. Except for the eldest daughter who is a policewoman and lives close by. Thenathi reports not having employees, but is readily able to draw on the services of a young kinswoman from her parent's household to tend her stall. Thenathi also gives a close male family friend 'pocket money' of R40 – R20 (depending on the sales for the day) when he helps at the stall.

The pricing of goods and giving of credit is a complex matter in Thenathi's business. With hardware goods, a major part of her success appears to source particular products from specific stores. With regards to auction goods she relies on buying these cheaply and adding a substantial margin, or 'triple gain' (her term, i.e. 300% markup). When selling second hand goods on terms she is careful to secure a deposit greater than her purchase price. She has bad debts but does not generally try to collect it. Thenathi strategically does not indicate prices on her second hand goods. This is because her black customers would offer substantially less than an indicated price, while the white or coloured traders (who occasionally offer her a bakkie load of goods to buy) would ask too much if they saw what she marks her items at.

Buying and reselling second hand goods requires negotiating skills and high levels of social confidence for bidding in the fast-paced (English or Afrikaans language) auction context. There is some measure of physical work involved in, for example, loading doors onto bakkies. With regards to training, Thenathi completed a formal six month long training course run by a NGO several years ago. Although useful, she thinks that she learnt more from her father, and suggested the course would be of little use to somebody without any prior business experience. She regards her father teaching her how to trade and taking her to auctions as a formative experience and central to her current day success. Reflecting on the success of her father's business, she explained that her father ran his business under apartheid and so required a licence. This meant that there were inspections by the 'police' (perhaps inspectors) to make sure the store was neat, tidy and well run. Thenathi reports not needing microfinance, but thinks a business partner might serve to temper some of her decisions, such as buying too many Valentines Day mugs and being stuck with the surplus stock.

Thenathi concedes that there is a lot of jealousy around business, but she manages this by keeping a low social profile. She explained that she is not the sort of person to get jealous, or to go around visiting others. She is always to be found either here or at her parent's house across the street, where she helps with the sewing. She has also not been a victim of crime, speculating that perhaps the presence of the sangomas deterred criminals.

### **Case Study 2: Nongazi: Shebeen, spaza shop and braai meat stall business**

Nongazi and her boyfriend run a small tidy tavern, located in the front lounge room of her Khayelitsha home. Across the road they also own a large spaza shop, neatly stocked with fruit and vegetables, dry groceries, a chest freezer with meat and three coin operated arcade games. In front of the spaza shop is a brazier used to braai meat for the passing trade. The two business premises occupy a prime trading position, on the main access route into Khayelitsha and close to the taxi rank. Nongazi sources stock for her spaza from wholesalers and makes regular trips to the fresh produce market in her own bakkie. The alcohol is sourced at a large local tavern (they get a small discount, but she takes no credit). She estimates that the businesses bring in a combined R1000 a day.

Estimating the profitability of the enterprises is however difficult because of the constant off-take: (the household takes: two loaves of bread, bottles soft drinks and meat daily). However Nongazi saves R500 into her saving and burial umgalelo (mutual savings society) every Sunday, which she considers to be her profit (savings of R2150 a month). Furthermore they purchased the bakkie a year ago for R22 000 with savings from their business. (Neither Nongazi nor her partner have any external source of income viz. formal employment, pension etc).

In terms of her history Nongazi arrived in Cape Town in 1985, having previously worked at a store in Johannesburg. She stayed with her sister in Crossroads where she sold smilies (cooked sheep heads) and meat for two months. She then moved with the first of

Khayelitsha's residents to her current site. Drawing on her experiences in Johannesburg, she sold fruit and vegetables and beer from her house. Frequented by the constructing workers building a nearby school, her tavern grew. As it became busy, she secured permission from the local street committee to move her fruit and veg stall to the then vacant stand across the road. It was at this point that she started preparing cooked meat for the late afternoon passing trade. These three businesses have been running for over two decades.

Nongazi runs the business with the help of her boyfriend, but described it as her household and business. (Significantly, she spoke with the research team, while he pottered around silently in the background). The boyfriend is not the father of the children and Nongazi anticipates some of the children might take over the business in future. She explained that the tavern and spaza shop opens in the morning (and requires a person working at each business). The tavern is in their neat lounge and caters for an older, more restrained demographic, as it is free of loud music or a pool table. Towards mid-afternoon the fire is lit and braaied meat sold to commuters returning from work. The children, back from school, help out in the tavern at this busy time of the day. Nongazi indicated that when she and her partner go to the Eastern Cape for a funeral etc, the business continues to be run by her children without problems. This was the cases even when the children were teenagers.

With regards to credit Nongazi does reportedly not extend credit at her spaza shop. In the tavern they give credit, but only to the value of a single beer because they struggle to collect the debt. Part of the problem of credit is not only do patrons default, they evade their creditor by not returning, thereby depriving the creditor of future income. Although Nongazi never received any training, she feels that her prior (Johannesburg) work experience was important in getting her started as an entrepreneur. She did could not think of anything that she needed training in, and was generally unenthusiastic about the concept.

Despite the fact that Nongazi has never been robbed, she reports being afraid of crime. Yet unlike many other taverners, they have not had trouble from the police. This is because they reportedly buy small quantities of alcohol (only a few cases at a time), and hide it when they 'can see the police coming' (fieldworkers translation). A finally aspect of regulation impacted on Nongazi is that with the upgrading of tenure in the township, a single individual was not permitted to receive two title deeds. Nongazi therefore got her adult daughter, married and living in Gauteng, to travel down to Cape Town, sign for and nominally become the owner of their second property.

### **Case Study 3: Neliswa: Traditional dressmaker, shoe vendor and religious healer**

Neliswa is a widow and traditional 'German print' dressmaker, who sells her wares from a stall near a taxi rank in Khayelitsha. Her dresses cater for the 'makoti' (bride) market of newly married Xhosa women. She sews the dresses or skirts, and sells the other five items of apparel that make up the outfit of a married woman (e.g. headscarves, blanket,



shawl petticoat etc). In addition Neliswa and her household engage in a range of other occupations, including selling shoes and performing Zionist-Pentecostal healing rites on people for ‘donations’.

In terms of her history, Neliswa started selling clothes in 1990 in the Eastern Cape, after her husband died. As start up capital she used the monthly grant paid to the children, by the parastatal for which he used to work. Neliswa would source the clothes in Durban and sell them at Transkei pension pay out queues. In the early 1990s Neliswa came to Cape Town to seek medical treatment, and stayed with her sister. Drawing on her prior experience and contacts, she started bring clothes from Durban to sell in Cape Town. Soon afterwards, her sister encouraged her to undertake a formal eight week long sewing course. She completed it even though the course fees, transport and opportunity costs (of not working for two months) represented a large sacrifice. Once again she was able to fall back on the grant money from her late husbands work. Although Neliswa reports not being very skilled initially, she acquired a second hand sewing machine and improved. She began specialising in ‘idaki’ (or German print wear) often bought by men for their new brides (especially in the December holiday wedding peak). These garments are lucrative to make and not subject to the same Asian-sourced competition as conventional garments such as tracksuits. She estimates she makes about R1500 profit from dressmaking in an average month. Neliswa also capitalises on her knowledge of KZN by travelling with a group of woman to the shoe factories of Pietermaritzburg every two months and (each) buying R2000 of stock. These shoes are then sold for about R350 on credit. (Her debit book showed she is owed a total of about R4000). She sells in a distant African township, because she finds it easier to collect debt from less familiar people; they budget for one and don’t ‘always have a story’ (fieldworker’s translation). Finally, as a respected member of a Zionist-Pentecostal church, Neliswa presides over healing rites for people (early in the morning, before she starts sewing), and accepts payment for bottles of blessed water, bathing and various purgatives.

With regards to her domestic arrangements Neliswa occupies a large, tidy shack with her sister’s shack immediately behind her, a moderate distance from the taxi rank. Several children and cousins live with Neliswa and her sister in the two shacks, and two of the young men have jobs. An aunt from the Eastern Cape who had come to seek out medical treatment was also temporarily present. The boundaries between the households seem utterly porous, and there appears to be a constant flow of people and resources between the two shacks. For instance the households cook in parallel, yet residents eat at either locale. (Members of the sister’s household were eating food prepared in the first household at the time of the research team’s visit).

Neliswa pays a non-kin employee R600 to mind her stall, while she often sews at home. She expressed a preference for employing a neighbour, as kin reportedly do not work as hard as a stranger nor come to work as conscientiously. Apart from the sewing skills Neliswa learnt, she indicated that her work requires careful negotiation with customers. She has to sometimes interpret their requirements for garments, or work from samples of cloth but occasionally, a customer will ‘shout or be funny’ (fieldworker’s translation), so she has to remain calm. An additional requirement she faces is the demand of keeping

her sewing machines (one manual, one electric and a new overlocker) operational. These domestic machines are worked continually and need regular maintenance. Neliswa sized the opportunity to have the research team drop her off at a distant township sewing machine mechanic, where an exuberant exchange characterised the negotiation of his fee.

Neliswa has not found crime to be a problem, because of the presence of the nearby taxi association office and rank. The taxi association provides some measure of local governance and is potentially able to adjudicate disputes with defaulting customers or employees. Finally, although she paid R1000 to buy her stall from the previous occupant, and replaced some of the zinc roof, Neliswa's right to occupy it seems informal. She has no documentary proof of the entitlement to her current site, nor does she pay any rent.

#### **Case Study 4: Marley: Fruit and vegetable seller**

Twenty-six year old 'Marley' runs a large fruit and vegetable stall perched on the sandy road verge alongside a school and on a busy route in Khayelitsha. He sells from a shack with the produce displayed behind a grate covered window. Working long hours (7 am to 9 pm), he effectively lives at his stall, but maintains a residential shack elsewhere. Marley also has an old rusted car, which he uses to source fresh produce from the municipal market.

Marley travels to the fresh produce market twice a week spending approximately R1200 a week. He also buys from a vendor who visits him. Friday to Sunday are busy, bring in over R300 a day (versus R200, on a regular weekday). During the week he might make R800, but from Friday to Monday R1000 to R1200. He makes approximately R800 profit a week, or roughly R3300 per month. He further augments this income by occasionally transporting passengers in his car, usually outside of Khayelitsha, for about R150.

In terms of his history Marley had his stall for a year. Prior to this he was in a partnership with three other Rastafarians running a fruit and veg stall since 2000, but left because of disagreements about taking money out of the business and the recording of the sales. In this time he bought up surplus building material worth perhaps R500 and built his stall in its current favourable location. He merely consulted the woman in the shack alongside, and secured permission from no authority. Rastafarians are well represented in fruit and veg because they not like working for others, he explained. (They are also often vegetarians – a fieldworker also ventured). Marley readily explained his business in terms of the Rastafarian ethos of self sufficiency.

Marley only sleeps at his residential shack, but lives and cooks at the fruit and vegetable stall. He has a girlfriend and a three year old daughter, who live elsewhere. He buys clothes and pays R200 a month for crèche for the child.

With regards to credit, he only gives to those who live close by or who are ‘regular’ customers. If customers default and return, he tells them he cannot help them. He does not actively seek out those who owe him debit, but they have to walk long circular routes to avoid him – he can survey the entire street from his stall. They will do this for several weeks, before eventually settling their debit. However Marley explained that credit was a way to move perishable stock, and that he charitably gave ripe produce to the utterly impoverished. Marley explained that he generally does not like giving credit too frequently, because not only can he potentially lose the sum, he also loses the opportunity to leverage additional returns from it. He seemed to have quite a sophisticated and formal sense of his finances.

When Marley is hired to transport people in his car he summons his younger brother to tend the stall for R20. He does not generally like to leave the stall, but for a lucrative trip it is worthwhile. His younger brother used to work at the stall, but Marley found him unreliable and prone to the distraction of his friends. Reflecting on his dream of running his own business and the long hours it demand, Marley thought this better pursued single handily.

Marley has been the victim of crime. Recently a man broke into his stall at night, and attempted to steal its contents. The thief was however spotted and Marley summoned, the thief given ‘a good hiding’, before the police came. (The residents of the adjacent house heard his stall being broken into but were afraid to confront the intruder). He has been robbed in the past, and his fear of crime partially motivated his purchase of the car, to avoid walking about with money at night.

Marley explained that there is another fruit and veg stall just up the road, run by an older man. Although his competitor was a ‘bit tense’ at first, they now have an amicable relationship. The competitor closes much earlier than him, and they send customers to each other if they do not have a specific item. Marley explained there is a lot of pressure and stress when one is the sole person running a business, so they ‘look out for each other’ in terms of security. It was his competitor that woke Marley to alert him to the fact that his stall was being robbed. The two of them tackled and beat the perpetrator.

When asked about where he acquired the skills to run a business, Marley indicated that he did business subjects at school. (He completed matric at a well known multiracial school in town – he used to commute in with his domestic worker mother). He readily understood questions concerning turnover and profit, and explained that the essence of running a successful business included sourcing affordable quality produce and delivering good service. He said the relationship with the customer was important, and that he sought to be attentive and friendly. (During the interview he cheerfully sold single items of fruit to toddlers with 10 cent pieces). He explained that he worked hard, with long hours and related this to his Marley entrepreneurial ethic. He clearly expounded on his theory of business, namely he likes to ‘keep money flowing’, viz. he likes to have his money circulate. He seemed to have a keen sense of the importance of cash flow, and sophisticated sense of business. (He was one of the few respondents who could readily quantify his finances).

Marley did not think he needed microfinance, only better security. He did not think he requires training, but conceded that perhaps there is training that he does not yet know about, that he might benefit from. He aspires to make his stall larger and sell a wider variety of products. An elderly woman in the street sells sweets intermittently, Marley thinks he can add sweets to his fresh produce.

### **Case Study 5: Zenzi: Polony hawker**

Young and recently married Zenzi hawks pre-packaged polony and of chips at a busy railway station concourse, alongside a township shopping centre. The concourse becomes crowded with train and taxi commuters (particularly at peak travel times), and is lined with vendors selling products including food, DVDs, herbal medicines, religious paraphernalia and clothes. Zenzi only started hawking the small R2.50 rolls of polony in last two months, after being drawn into the business by her neighbour Nokayiywe.

Zenzi buys about R75 worth of polony (50 individual units) about three times a week, each batch generates R50 profit and is sold as a take-away snack (rather than a grocery item). She also sells a few small packets of chips (for a paltry R3 of profit for every 50 packs sold) –she just does this ‘because everybody else does’ (fieldworkers translation). The lucrative polony is sourced in an industrial area of the city, accessed by train for a R27 weekly return ticket. The ubiquitous, relatively unprofitable chips are bought from a township wholesaler. Zenzi trades in a close proximity to the security guards that patrol the station platform, if she arrives early enough she can claim a favourable position sheltered from the elements.

Zenzi arrived in Cape Town in 1999, after unsuccessfully seeking domestic work she looked a child while her husband works in a formal sector job (earning roughly R2800 a month). She was inducted into selling polony by Nomzuzu, a close friend, neighbour and clanswoman (from the same village). Nomzuzu arrived in Cape Town in 2001, and soon secured domestic work. After four years working for a middle class family, she quit when they refused her ultimatum to raise her R700 monthly salary. She used her savings from this employment to buy a R1000 second hand fridge. Then, with considerable effort, Nomzuzu learnt where to source the special pre-packaged polony. This is a secret jealously guarded by the other township vendors, and finding the source of the polony required persistent enquires and more than one failed foray into the industrial heartland of Cape Town. After first setting herself up selling polony, Nomzuzu served as a mentor to Zenzi (who borrowed R100 from her formally employed husband to buy stock). Nomzuzu stores Zenzi’s stock in her fridge and suggested to place her stall. As the more dynamic and socially confident of the two women, Nomzuzu invariably sells out of her polony first. Although she disavowed the idea she does anything special, when pressed Nomzuzu described her repertoire of exaggerated friendliness when dealing with customers (i.e. thanking when returning change, smiling constantly, playing with customer’s babies etc). In terms of Nomzuzu’s personal history, she sold alcohol and sweets from her homestead in the Eastern Cape, before moving to Cape Town. Nomzuzu

estimates that they each makes between R200 to R300 a week - comfortably more than she did as a domestic worker. Although Nomzuzu has undoubtedly been an important benefactor to Zenzi, selling polony on both ends of the concourse allows the women to pool their efforts and makes it more difficult for potential competitor to enter.

The two women collaborate closely, typically one of them sources the polony while the other tends both stalls (basically an upturned milk crate). Zenzi also tends the stall when Nomzuzu buys the pre-packaged trays of fatty meat that she sells alongside her polony. A third woman, vending newspapers, looks after the polony if both women have to run errands. In return, they sell her newspapers in her absence. Zenzi's three year old child is currently at a crèche, but as she and Nomzuzu work into the early evening, the child is either picked up by the neighbour's children or Zenzi's husband. Finally the two women are members of a rotating umgalelo (mutual savings society), that Zenzi belong to even before she started selling polony (she used to receive money from her husband for this).

The women do not generally extend credit to customers, except to some of the other vendors who sell from the station concourse and are paid at the end of each week by their employers. Both women continue to scrupulously avoid revealing the secret of where to source the polony, despite constant enquiries. Although Nomzuzu is the innovator in the polony selling enterprise, both women readily understand that more competition would easily undercut their tidy polony profits. With regards to their prime selling position with security guards and the regular cleaning services, the women pay no rent for it, nor did they secure permission to trade there. When asked about her plans for the future, Zenzi explained that she has a friend who sells toys and novelty items in another part of Khayelitsha - they have contemplated sharing the source of their products, so they can both diversify their wares.

### **Case Study 6: Zikhode: mechanic**

Lanky and with the scarred face of a street fighter, Zikhode is one of a group of men who repair vehicles (primarily Toyota Hi Ace minibus taxis), on an open piece of ground next to the taxi rank. They have worked from the large concrete slab, surrounded by steel shipping containers, from which various businesses (auto-electrician, panel beater, herbalist, hairdressing saloon etc) have run for almost 10 years. The men work for themselves as individual contractors, and conduct smaller repairs and routine servicing to vehicles. The presence of the research team elicited much interest and a group of men elected to be present for the duration of the interview, along with Zikhode. The research team subsequently returned and interviewed Zikhode about his domestic arrangements.

The mechanics are individually engaged by either the taxi driver or owner. They work individually only one man receives payment for a job, although they might borrow tools from each other or ask for assistance. (Zikhode subsequently explained that he is partnered up with another mechanic, and they jointly split their income). Each man owns his own tools, with the exception of the hydraulic jack and trestles that are communally owned (having been jointly purchased). The mechanics do not specialise on particular kinds of jobs or components, nor do they source the replacement spare parts (none of

them have a vehicle to fetch these anyway). Instead worn or broken parts are given to the client to buy a replacement. Larger jobs requiring an equipped workshop, such as rebuilding an engine or gearbox, are done elsewhere but in these cases the mechanic might remove the component for the client.

Earnings are highly variable but Zikhode estimates that on a good day he could earn between R150 to R200. (He could not offer a monthly figure, despite the research teams probing). The mechanics all charge per job, rather than an hourly rate (e.g. R70 to change brake pads, R300 to replace a clutch). They extend credit to the taxi owners and drivers but only if they know where the client lives, so they can collect the debit if necessary. If a driver does not pay, the mechanic will attempt to secure payment from the owner, failing which they will approach the taxi association. (They have not needed to do this though). The mechanics are unaligned with either of the two currently feuding taxi associations in Cape Town, and happily fix anybody's vehicles. Despite a recent outburst of taxi violence they continued working.

Zikhode, like the other two mechanics present, is self-taught having observed others working. He indicated he would like to secure a formal job, but does not have any formal accreditation for his skills. He, like the others, would like to be trained so that he can get the requisite certification. Their motivation for training was therefore primarily for the formal accreditation of skills. The men knew of the new generation of technologically complex vehicles (Mercedes Sprinters, Iveco Dailys and Toyota Quantums) that require servicing at an accredited dealer (for the warranty to remain valid) - they were concerned that all they could do on these is basically change brake pads. This is likely to erode their earning potential as the old, ubiquitous Toyota Hi Ace becomes superseded by newer vehicles.

Zikhode, along with the other mechanics has no form of collective savings or risk insurance. In response to a scenario of one of them becoming injured at work, they replied that he would have to stay home until he can work again. When asked what they would need to strengthen their business the small group of mechanics replied that what they really needed was not training, nor micro-credit but rather facilities from which to work. They explained that when it rains, their work is severely disrupted.

The research team returned to interview Zikhode about his domestic arrangements. (With some trepidation, these are normally the preserve of women rather than men). Forty two year old Zikhode is the eldest of nine siblings and lives with his parents, in a Khayelitsha shack. Zikhode's father is formally employed as a driver, and his mother and sister have regular jobs. Although his income is somewhat erratic Zikhode contributes a sum of approximately R400 every alternate month to the household finances for groceries. The uneven nature of Zikhode's recall of this household expenditure was significant. Zikhode gives the money to his sister to buy groceries, and he could accurately recite the prices of specific household consumables purchased. However there is a range of other household expenditure (e.g. school lunches for his younger siblings) to which he made no contribution and could not quantify. He only knew that somebody else in the house was buying these items. Furthermore, some aspects of Zikhode's

subsistence are supported by the larger household (he has no cell phone, he receives calls on the home landline). Conversely some of his expenditure is directed towards private consumption – Zikhode buys himself a hot plate of lunch almost everyday and estimates he spends R30 per day on beer (he invariably sells of alcohol). Finally, Zikhode has two of his own children who live with an aunt in the Eastern Cape (and subsist on two child support grants), his estranged partner having disappeared. In terms of the domestic economy, Zikhode is therefore simultaneously a key part of his father's household, yet separate from it.

### **Case Study 7: Radebe: tinsmith**

Radebe is a sixty year old man living by himself in a shack in Khayelitsha, where he works fabricating items out of tin plate. His well made wares are entirely hand made (he has no machines, and does not braze or solder) and include tin meal bins (for food), pails, travel cases, small jewellery and trinket boxes, laundry hampers, special funnels and ladles used for brewing sorghum beer ('umqombuthi') and cooking pots converted from 44 gallon drums. These products are sold from a nearby stand (at a busy intersection) or in an adjacent township. Radebe's wife and children live in the Eastern Cape although his teenage daughter (living at a nearby relative's house) helps him with some household chores.

Radebe makes his products out of new rolls of zinc and aluminium, second hand tin plate and rejected sheets of metal packaging printed with colourful logos for the food and beverage industry. He sources the material from several businesses in a Cape Town industrial area and hires a bakkie (from R100 to R150) to get this material, normally purchasing up to R1000 at a time. The large cooking pots are made from 44 gallon drums, sourced from a township trader for R40 each. He does not secure any materials on credit. His inability to speak English, lack of transport and limited buying power mean that he generally struggles to source the small quantities of favourably priced (usually slightly damaged) 'scrap' materials he requires.

Although the trade in his products is erratic, Radebe bring in R400 to R500 on a good day and up to R1000 a day in the busy lead up to December. On some days hardly any of his products will be sold at all. He seemed genuinely unable to work out his average profit. In the research teams probing after profit, he simply enumerated his monthly accounts. He explained that he remits the full state old age pension (received since 2003) along with additional money to make up a sum of R1200, to his family every month. He also pays the sales woman currently employed the mind the nearby Khayelitsha stall R500 a month (and additional incentives), and lives of his profit. If one allows an estimate of R600 for his own expenses (he reported eating well), combined with the R500 salary and balance of the remittance, he is probably has an off-take of over R2000 a month. He did not seem to think that our (conservative) estimate of R2000 to R3000 profit a month was implausible.

In terms of his history Radebe started off in the 1970s working on a chicken farm in Franshoek, where he was a general labourer and reportedly earned very little money. In 1980 he moved to Crossroads where he sold alcohol and clothes, but this wasn't successful as he struggled to get people to pay. At this stage when he became interested in making things out of tin, after his brother bought a 'suitcase' made out of tin. Radebe lent his brother another suitcase, while borrowing the tin suitcase to attempt to replicate it. He largely taught himself how to make the products by studying finished products, and observing others fabricate the difficult bends and corners. With practice he became faster and became adept at measuring and copying other tin products.

At a certain stage (late 1980s - early 1990s) that he received assistance to scale up his business. Some benefactors (unclear, sounded like an NGO) offered him to rent him a business premises and acted as intermediaries to source the essential scrap tinplate material from formal businesses. At its peak his business occupied a large workshop and employed four women to sell his wares as far away as the Transkei. He also trained four men in tinplate fabrication. Radebe's business however collapsed in the early 1990's, when he lost the intermediary that sourced scrap tin plate and his business premises. The building was sold, amidst allegations that his benefactors (to whom he was paying over the rent) defaulted on paying over the rent. Radebe scaled back his work after this and works from his small residential shack. Despite interest from others, he has insufficient space to train anybody.

All of Radebe's family, with the exception of his (adult) youngest daughter are reside in the Eastern Cape. He indicated he visits every December and reported that he had passed his skills onto his sons.

With regards to sales, most are handled by his (non-kin) sales woman. (In the adjacent township, he has a woman who basically sells for him on consignment, rather than for a salary). Radebe was adamant that credit is only given to those that are known, and that a deposit and phone number are required. If debtor is not well known, his sales woman will go with to their home to see where they live. He does not generally have a problem with collecting his debts because the products are not perishable, so can be repossessed. He indicated his buyers are not only black, but also coloureds and even whites come to the township to purchase his unusual, handcrafted wares.

With regards to crime, he has not had any problems with the exception of the previous stall minder was robbed last year, at gunpoint of R300 and a cell phone. Radebe found this whole incident suspicious and fired her, suspecting her of complicity in the crime. When asked if the advent of cheaper, Chinese manufactured goods had eaten into his sales Radebe indicated that ever since the availability of the colourful woven striped polyfabric bags, people were buying fewer of his suitcases. When asked about the future and where he saw himself, he explained that he will continue to stay in Cape Town to run the business. Even when he returns to the Eastern Cape in December he works, he will only retire 'when he dies' (fieldworkers translation). In terms advice he would give an aspirant business person, he said that you can not just see and do it, you must give the business your love (i.e. devotion).



### **Case Study 8: Sibongile: Spaza, liquor and take away food**

Sibongile occupies a large sprawling compound located in an established part the Khayelitsha. From these premises she runs shop that sells take away food, spaza shop type groceries, and liquor (on behalf of her absent ex-husband). The store occupies the front of her property and consists of a long room, with glass fronted display cabinets fronted by a barred hatch. This public area is frequently often crowded with children playing video arcade machines and even a (working) Telkom public phone. Behind are several residential rooms, built around an open air passage. These tidy, panelled rooms are comfortably furnished with store bought furniture. To the untrained eye it would be hard to believe that this entire structure is constructed in the shack-like manner of corrugated iron over a wooden frame.

Sibongile has several adult children (several of them have studied and entered middle class occupations of teaching and nursing), and several younger children resident at her home. Sibongile is separated from the children's husband (they have not lived together for approximately two decades (he has another partner and child at the shack he occupies), yet despite they continue to collaborate in business.

Sibongile's working day consists of preparing the food sold at her stall, and twice a week restocking at the local wholesalers. She has her own rather battered looking bakkie (which is not required to leave Khayelitsha anyway). Her absent husband has an equally unroadworthy looking bakkie, and they appear share the use of a third vehicle, an old car. Although the street, opposite a busy school has several spaza shops Sibongile specialises in selling a variety of take away foods (sausages, vetkoeks, eggs, muffins etc) and carbonated soft drinks. Her customers include school children, parents and teachers. Business fluctuates, but she makes between R600 and R700 per day or R2000 a week. In addition to the food and spaza shop grocery items, Sibongile sells 'take away' liquor (beer and an array of sprits) on behalf of her absent husband. Every week he restocks and collects the preceding week's takings. Sibongile indicated she saves large amounts of money but has weekly off-take R400 for household expenses. The household eats from the spaza shop she explained.

The current store has a long history. Sibongile and her husband started it in Crossroads in 1974. Her husband had a formal sector job and saved up and to start the business. He quit his job and the two of them grew their business selling sold food and alcohol. Her husband was close to a prominent Crossroads leader, so they were able to sustain the business through several years of intense social and political conflict. Finally the conflict drove them out of Crossroads to another settlement but they struggled to run their spaza shop out of the small property. Finally, in the early 1980's they split the business, and each took some of the stock. Sibongile's husband moved into his girlfriend's house in Khayelitsha, while Sibongile moved to Khayelitsha in 1985. She first stayed with relatives before occupying her current site. She started sewing and selling amaas (sour milk), meat and offal and then expanded it to include dry good such as candles and prepared take away foods. She built up her current stand and homestead, but never

secured permission from anybody to trade. However the property is in her name (a title deed has been issued) and she reportedly pays water and municipal rates. Although Sibongile still refers to her husband as such, and sells his alcohol, it is clearly understood that he lives elsewhere with his other family, and has done so since the mid 1980s. Both parties understood that he was not part of Sibongile's household. While Sibongile understands the business to be hers, her husband (privately) ventured that it was his. He has a smaller and less prosperous looking business (a tavern), along with a sideline of supplying other taverns with alcohol.

Up until 1995 or 1996 Sibongile's business used to be checked by food inspectors and the police would check the alcohol licence. All that happens now is that police check up on alcohol permit. Although she reported having a liquor 'certificate', but all this proved to be was a voluntary undertaking for 'responsible alcohol use' issued by an industry body.

In terms of training Sibongile reports never having received any. She said she received all the experience she needed from the business. She indicated that her and her husband learnt from each other.

With regards to crime they have had two nocturnal attempted break-ins this year alone. She however indicated that the community are working closely on crime and do not hesitate to contact the police, although she described the police as generally unhelpful and inefficient. Sibongile seems quite brazen and reports single handily having chased suspicious characters away from the street.

A young nephew works in the shop although Sibongile disavowed his employee status he earns a regular R250 'pocket money' a week.

She reported she does not give credit; she stopped doing this in 2000. She explained that she had extended almost R900 of credit to the caretaker of the school who used to live across the road and he defaulted. He continually evades her – and this whole event made her increasingly reluctant to extend credit to anybody. Nor does Sibongile want credit. She declined microfinance from the wholesalers, claiming that the interest rates were exorbitant. In the future she wishes to extend her shop and build a 'fisheries' (sic i.e. fish and chips shop) but is adamant she will not borrow any money to do this. She had saved up a large part of the R30 000 required, and hopes to expand in 2008.

Besides the routine vacillation of business, Sibongile reported no difficulties. When asked about the coming of big retail stores to Khayelitsha, she indicated that she briefly saw a dip in her customers but they returned. Nor does she think that her withdrawal of credit to her customers had much affected her business. In terms of the future, she does not see herself returning to the Eastern Cape, she will stay here in the Cape Town running her business.

### **6.3 Rural Case Studies: Mt Frere district**

#### **Case Study 9: Nselo: transport operator.**

Nselo is in his fifties and runs an informal transport business from his rural home. He occupies a comfortable homestead, and owns three vehicles (only two of which are in running condition). The first battered looking bakkie (pick up truck) is hired for making deliveries. The second vehicle looks less battered and carries fare paying passengers in its covered loadbed. The third vehicle was crashed and extensively damaged by an errant driver, who then absconded with the takings. This incident saw Nselo resolved to only to employ older, more responsible men in future. Of the three vehicles Nselo is solely operating the passenger carrying vehicle ('quqa' in Xhosa) at the moment. He makes several trips a day along the 20 kilometres unpaved road between the village and nearest town of Mount Frere.

As the delivery and passenger vehicles effectively constitute two different kinds of business, Nselo belongs to two different informal 'van' associations each with its own 'joining fee'. These fees conferred the (informal) right to trade from Mount Frere (a town with no municipal bylaws and little evidence of traffic law enforcement). Akin to taxi associations, Nselo thought nobody would attempt to trade without belonging to the appropriate association. While the delivery van takes clients and their goods (hardware materials, livestock, furniture etc) to their chosen destination, the passenger vehicle ('quqa' in Xhosa) is only entitled to travel the association's route between Nselo's village and town. In this case his entitlement to trade is incumbent both membership of the association and his residence in the particular village. In response to our hypothetical query, Nselo was adamant that to run a quqa from this village one would have to first secure a household site from the local headman.

A passenger quqa can accommodate 12 tightly packed passengers (10 seated on wooden benches in the loadbed and two alongside the driver in the cab). Each passenger pays R7 for a one way trip, with additional parcels, groceries billed separately according to their size, and secured on the roof of the canopy. The delivery van costs R120 to travel to the Nselo's village, the rate is variable and dependent on distance to the chosen destination.

Nselo reports that a vehicle can bring in between R200 to R300 a day, of which approximately R80 is the cost of fuel. Drivers are paid R200 a week, but Nselo lamented they routinely only turn in about R200 a day. Gauging the profitability of Nselo's transport business is difficult, because the maintenance costs for the old vehicles operating on unpaved roads are high, and his provision for depreciation non-existent. Nselo is somewhat unusual to have three (albeit battered vehicles), but a quqa business often entails the operator running a single vehicle. It is generally the domain of older men, who had invested savings from previous urban (and often formal sector) in an enterprise that essentially serves to extend their savings. The business typically lasts as long as the (usually second hand) vehicle, operated on the harsh dirt roads.

A brief life history Nselo partially explains why he selected this avenue of self-employment. With his parents local school teachers Nselo is comparatively well educated for a middle aged man, having completed Standard Nine at a former mission school. He worked in Johannesburg (where he owns a comfortable township house) for most of his adult life in a range of clerical, security and driving jobs. As the eldest son middle-aged Nselo retired to the village after his father's death and claimed the homestead and herd of livestock. Nselo's decision to start a transport business was encouraged by sister, and late brother. This brother was a teacher and financed the acquisition of original second-hand vehicle in the late 1990s and Nselo repaid the instalments every month. The transport business proved moderate successful and a second vehicles was bought in 2004 (Each vehicle is over ten years old and none cost over R40 000). The third vehicle represents a final act of beneficence from Nselo's brother, the teacher who helped him finance the first vehicle. After his death Nselo bought it from his brother's widow in 2004. The sister in law, herself a teacher and firm part of the village elite, replaced it with a newer vehicle.

Nselo's business is not only a product of his ability to access resources within kinship networks, it also reflects specific skills. Not only can Nselo (legally) drive, he proved adept at seeking out appropriate vehicles at a favourable price (by transacting in English with car dealers in distant Pietermaritzburg and East London). However these competencies are not limited to Nselo, and he reports there is increased competition with more quqas in the village. This combined with his failing eyesight and aging fleet of vehicles has make business increasingly difficult. Nselo wishes to obtain R15 000 of credit to repair the damaged vehicle (which partially motivated his willingness to speak with the research team). He has not attempted to secure this credit himself, not even from the two banks he holds accounts with. He also dismissed his wife's suggestion that he borrows against the policy he has with a life insurance company.

Nselo's domestic arrangements are complicated and contested. After Nselo departed to ply his quqa route, his wife readily description their relationship as estranged and her husband as miserly. He apparently refused to give her any money, controlled all the household income and even purchased all the groceries himself. She contested this economic marginalisation by obtaining a maintenance order (of sorts) from the local Magistrates court. Her claim that he drives her to the court once a month and pays over R500 seemed wildly implausible to the research team - until she produced the court issued receipts. The two fieldworkers thought that the genesis of this unconventional court mediated arrangement between a married couple lay in her outsider status (she is a Basotho by birth), and the fact that she and Nselo have no children from their own marriage (although each has previous children of their own). A subsequently interview with the wife of Nselo's deceased brother confirmed this narrative and our hypothesis.

**Case Study 10: Maxaba: chicken farmer**

Maxaba is a middle aged woman who runs a ‘chicken business’ from her rural homestead. She sources hatchlings from a commercial supplier, in the nearby Mount Frere, raises the birds and sells them in the village. A widow married into a respectable village family, she occupies a sprawling compound, supports eight dependents and engages in comparatively high levels of smallholder agricultural production. Although her attire and deportment suggest a ‘traditional’ Xhosa matron, Maxaba seems to combine this social role that of a dynamic chicken entrepreneur.

Maxaba began her chicken business several years ago by teaming up with two other women and jointly buying R600 worth of hatchlings, to raise and sell. After successfully doing this an organisation (unclear, possibly an NGO) offered each woman a week of poultry training and a start up loan of R800. Unlike Maxaba, her collaborators struggled with four monthly repayments of R240, and never succeed in their businesses. Maxaba continues to raise 100 birds a month (and double this number over the busy Christmas period). The youngest chicks occupy a pen in the warm cooking hut, the older birds another hut. Although Maxaba is unable to readily quantify her profit, she sells roughly 90 birds a month (at R60 each). Consuming approximately R500 – R600 of feed a month, the chickens potentially represent a gain of over R3000 a month. Maxaba enhances the profitability of the enterprise by augmenting commercial feed with her own maize, ground up in a newly purchased hand mill. Her commitment to agrarian production is further evidenced by her green vegetable garden. It contrasted starkly with the fallow gardens and dry grass of the surrounding winter landscape. The cultivation of the garden is aided by a tap in her yard. In response to the research team’s enquires Maxaba cheerfully explained that she bribed a contractor (who was working on a nearby water pipeline), to illicitly connect the tap.

Maxaba sells relatively small amounts of surplus vegetables and explained that she prices her products according to what they cost in town. For example a bag of potatoes costs the R20 it would in town, but does not incur the R3 premium required to transport it in the quqa (rural bakkie taxi). In light of a recent illness that decimated chickens in the village, Maxaba’s attitude is revealing. Although she has been spared large losses thus far, she speculated that if she did loose her birds, she would buy another batch of chicks the next month anyway. Just because one batch dies does not mean subsequent batches will, Maxaba reasoned. It is not microfinance that Maxaba thought she needed, it is training in poultry illnesses.

Maxaba’s history points to some of the factors that facilitate her self-employment. Married into a solid village family, her husband was formally employed in Johannesburg (a long service certificate hangs on the lounge wall). Maxaba’s husband discouraged her from working outside the village, and she has always focused her energies on building the homestead. When Maxaba’s husband was murdered in Johannesburg five years ago, she received his death benefit (of approximately R200 000). Not only does this sum help to smooth the cash flow of her business, and assure her of a comfortable homestead, she supports her four children and two grandchildren resident at it. An older daughter (along

with two nieces) is attending college in Butterworth, and Maxaba has paid tuition and living expenses for the preceding two years. Having successfully made it to their third year of study, the children have secured loans from the state bursary scheme.

Temporarily resident at homestead, yet not viewed as household members by Maxaba, are another niece and nephew. These two inherited some capital with the death of their own father, and the extended family decided it best that they invested in a homestead of their own. Maxaba is busy overseeing a flurry of constant activity, with at least three groups of other villages commissioned to make the mud bricks for the envisaged home. Furthermore Maxaba viewed as unsatisfactory, the distant residential site initially allocated to her niece and nephew, and offered them a portion of her land for their soon to be built four roomed structure. A fieldworker remarked that Maxaba seemed to embody all the traditional rural values of courtliness, hard-work and social reciprocity.

### **Case Study 11: Thembela: informal builder**

Thembela is a male in his thirties who lives with his wife and five children in a rural village where works as building contractor. He is known to be a skilled builder and has worked extensively within his, and more distant villages.

Thembela is commissioned by villagers to build houses. He lays the concrete blocks, or more frequently sun dried mud bricks and erects the rafters and roof. An average single roomed house (approximately 6 x 4 meters) would cost R2500 in labour and (uninterrupted by rain) take approximately two to three weeks to complete. A modest four roomed house would cost about R9000. Thembela reports that he can also install ceilings and wiring. He employs two assistants: one mixes the mud mortar, the other hands Thembela the blocks or bricks. Each assistant earns R45 a day. Thembela estimates that once he pays his two workers, he earns an average of around R2000 a month, particularly in the period from May to September), before the summer rains start. He struggles to work when it rains, but seldom sits without work in the dry period.

Typically the client who commissions Thembela would be responsible for securing the plot, water (for the mud mortar) and the building materials. Concrete blocks are trucked in to the village, or more commonly, mud bricks are made by local residents. Thembela owns some scaffolding and smaller hand tools, but the client would supply the wheelbarrow, pick and spade – items which are commonly available in the village. Although Thembela reports being able to sketch out rough plans on paper, a client typically marks out on the ground where he wants the house and Thembela specifies the quantities of materials required. The client would also show Thembela *in-situ* where the doors and windows are to go.

In terms of his history, Thembela worked at a hardware store in Mpumalanga in the late 1980s. He was retrenched from this job when the store closed, but learnt all about building materials and how to estimate quantities. He is able to simply look at the dimensions of an envisaged structure scratched on the ground and specify the length of

corrugated iron ('zinc') required. Thembela served an informal apprenticeship of a year with a village builder, before starting to work for himself. Having no formal training, he reports that he 'needs training', or more accurately formal accreditation for the skills he has. He speculated that this will not only enable him to leave the village and secure better jobs, but he would be able to work on bigger developments such as state housing projects and schools within the district.

With regards to credit Thembela is willing to start building on credit and before getting a deposit. However this depends on knowing the client (everybody is related in this village, he explained) and negotiating a schedule of payments. He has never had any problems with clients not paying but speculated he would report the defaulter to the headman if necessary. If this was unsuccessful, he would go to the Magistrates court in town. Thembela indicated he draws up a rough contract with clients, and issues receipts for each payment.

Thembela inherited the homestead he currently occupies, but built the far 'flat' (a rectangular flat roofed structure). His younger brother works at the local municipality and regularly sends a remittance of R300 a month for food, while the three youngest children receive child support grants. At the time of the research team's visit Thembela had stopped working to prepare for his eldest son's initiation ceremony. This was fortunate Thembela observed; otherwise we would have struggled to find him working in an adjacent village. He estimates that he will not be able to return to this site for at least three weeks. The lost income, and cost of livestock required for his son's initiation ceremony suggest the importance attached to the ritual.

### **Case Study 12: Bongani: Mud brick maker**

Bongani, is a thirty-one year old man who shares his elderly mother's homestead with his sickly wife and his young child. After several spells of employment outside the village, Bongani returned to made sun dried mud bricks within the village. The research team's interest was piqued by the fact that mud brick making is highly atypical work for a man. The four member household occupies a very modest two roomed homestead and are, even by village standards, comparatively poor. Bongani and his wife have relatively little schooling (standard seven and six respectively), and she is frequently ill. The household's vulnerability is further reflected in (and possibly contributed to) by the inability of Bongani's mother to secure a state old age grant. The wizen woman's identity book implausibly reflects her to be in her 50s, rendering her ineligible for a pension.

Approximately three years ago Bongani left the village when a relative secured him temporary work as a labourer on the construction site of new hospital in Mount Frere. After this, in 2006, he was offered a six month contract as a labourer on a construction site in a more distant Transkei town and earned R350 per fortnight (R700 a month). His protestations that other labourers (brought by the contractors from Durban) were being paid more than him saw his salary raised to R400. Yet Bongani resigned from employment in the fifth month of his six month contract and returned to the district. He

secured a job at a Chinese owned shop in Mount Frere, where he worked as a security guard for R15 per day. Of the roughly R350 a month he earned, R90 was for his daily transport to and from the village. He did this for several months, before recently resigning and returning to the village to make mud bricks.

Mud brick making essentially entails the difficult manual work of digging up earth, and mixing it with a little dry grass and water before stooping to pack the mixture into a wooden mould (about the size of large shoebox). The mould is carefully removed, and next brick prepared, after which they dry for a fortnight in the sun. Bongani optimistically reported that, with the availability of piped water, he could make 200 mud bricks a day (at R1 a brick). However this figure gives an inflated sense of the potential returns to this, amongst the most laborious of village employment. Mud brick production is highly contingent, for rain or stray livestock can easily destroy the fragile bricks, or the erratic water supply might cease for a few days. Furthermore there is a finite demand for bricks: Bongani was currently working on the 500 bricks he agreed to make for a specific plot holder. When the summer rains start, he will return to intermittent work as a builder's assistant, for a sum of between R20 to R30 a day.

When asked why he seemed to be accepting a series of successively lower paid jobs, Bongani explained that the work on at a more distant town was unsatisfactory as he had to spend money on rent (R100 a month), and transport home. In addition the employment generated conflict within the household. Bongani's wife sided with his mother's accusation that he was 'eating the money on the road' (fieldworker's translation). The spectre of private consumption outside of the purview of the household seemed to here fuel contestation. It is for this reason that Bongani returned to work in a Chinese shop in Mount Frere, at a reduced salary (about R240 per month, after transport). However Bongani gave up this job and returned to mud brick making in the village as his wife is ill with recurrent bouts of pneumonia and tuberculosis and his mother is frail. (His gaunt looking wife had lost her own domestic worker job in a nearby village with her illness). Bongani's full time return to the village appears to have therefore, at least partially, been motivated by the need help in a labour poor household (currently this includes tasks such as fetching water and even looking after his young child). Bongani, significantly, has no siblings.

In response to the research teams delicate enquires, Bongani conceded that people do gossip about a man making mud bricks. Yet he stoically observed that at least using his strength and doing something with his hands, rather than stealing. Bongani explained that the villagers would talk about him if he tried to constantly borrow food from them anyway. Besides he had previously made mud bricks - before leaving the village to look for something better, only to return.

With regards to securing brick making work, Bongani listens out for news that somebody might be building soon, along with the tell-tale sings of a building site being cleared. In these cases he agrees with the plot owner to supply of a fix number of bricks. At least two other groupings were making mud bricks alongside Bongani for the same plot holder. Unlike the groups of women and children who collectively make mud bricks, the



muscular Bongani works in a solitary silence. Once finished the fragile bricks are covered with thorn tree branches to discourage animals. However unlike some other mud brick makers Bongani does not have a tarpaulin to protect his production from the rain. Once payment changes hands (typically for batches of 100 completed bricks) the risk of the bricks being damaged passes to the client.

### **Case Study 13: Phumla: Mud brick maker**

Phumla is a thirty-eight year old woman who lives with at her elderly mother's house and makes mud bricks. She occupies the homestead (of average size and quality) with her elderly mother and the toddler of a relative. She has a brother who works as a bus driver in Johannesburg.

Phumla makes mud bricks and charges R110 for 100. She also hand plasters structures (with a mud and dung mixture) for a sum ranging from R200 (for a previously plastered structure which requires a single layer), to R800 (for a newly built one, which requires at least three layers of plaster). She estimates that she can take home approximately R480 a month (a figure close to what her mother estimated when we interviewed her the previous day). She described herself as a hard worker, and thought that she could make the 800 mud bricks needed for a one roomed structure. However the builders (hired separately by the plot holder) are invariably in a hurry for the bricks. It is for this reason that Phumla often collaborates with two other women, one of whom is kin. They typically divide up the work and work in parallel, but each woman is paid for their own output by the plot holder. Phumla estimates that an individual can make up to 200 mud bricks a day, although this is seldom successfully done in practice. When asked why people chose her to make mud bricks for them, they seek her out because she does a good job.

Mud brick making and the plastering of structures is also done on credit. If a client unexpectedly receives a smaller remittance than they initially anticipated in a month, Phumla and her collaborators will accept a proportion of the money owed. For example, Phumla she said they would accept R200 of R500 debit, leaving the client with R300 for their monthly groceries. Phumla does not collect debit, the client must come to her. Although she has never had a problem with people not paying their debt, if this happened she would report them to the headman. There they would be compelled to pay, Phumla explained.

Phumla was taught to make mud bricks by the chief's wife (when she was making a mud brick chicken coop). Phumla said that in addition to making the mud bricks she is interested in learning to build houses. She often looks at the work of a particular skilled builder in the village (Nselo: another of the research teams interviewees), who could potentially teach her. However the fact that he often works outside of the village means that he has not been able to train her. Phumla explained that he was not very skilled initially, but improved after completing some training in Mthatha. (An interview with Nselo revealed that he had never been formally trained, although he had worked around

Mthatha). Since his return from Mthatha Nselo knows how to build well, and that is why he has got so much work in neighbouring villages, Phumla explained.

In terms of the household, Phumla, her absent brother and the old age pension receiving mother alternate in the monthly purchase of groceries. They spend approximately R300 worth of groceries a month, excluding the packs of chicken they get visitors to town to buy from them 2 or 3 times a week. Although the village is electrified, the electricity box in the household of Phumla's mother is defective, hence the fridge they own is at the house of one of her fellow mud brick makers.

With regards to her domestic life, Phumla explained that she was married for nine years and lived in a nearby village. Although her husband was working in Johannesburg, he did not send her any money. It is for this reason that she left him and returned to her mother's house. Reflecting on her failed marriage, Phumla recounts that when she told the husband she was leaving him, he kept quiet and never came to take her back to his homestead. They had no children from the marriage. (The two fieldworkers thought this might have been related to the dissolution of her marriage).

#### **Case Study 14: Magalama Cool drink seller**

Magalama is a very obese, widowed pensioner who sells bottles of carbonated soft drinks from her village homestead. Her comfortable house, furnished with modern store bought furniture, would not look out of place in a lower middle class suburb. Magalama's adult son and stepson reside in distant urban centres and do not visit annually. Magalama's is therefore in some respects a single person household.

In terms of her history Magalama married into this village from another. She worked as a domestic worker in Johannesburg for many years. She secured her current household site from the headman in 1991, and retiring to the village in 2001. Originally she stayed in the 'married house' (i.e. the home of her late parents in law), but moved out in 2003 when her current house was completed. The current multi-roomed homestead was built with the proceeds of money she had saved while working as a domestic worker. She paid for the materials while her (biological) son paid for the builders. She explained that it is her house, but that her son will inherit it.

The convergence of several factors enabled Magalama to start her cool drink selling business in 2003. The first was she acquired a home of her own, the second was electricity to run a fridge was installed in the village, the third was that she was able to draw on her state old age pension and remittances from her son to buy stock. She currently sells 'a drink' (1.25 glass deposit-bearing bottle of Coke etc) for R8.50 (with an empty), without an empty bottle it costs R10. A case costs Magalama R61 in town (if she one has empty bottles). From a single case of cooldrink she makes R102 turnover, which represents a return of approximately R40 per case. When she started she was selling three cases a month, but she is now down to two cases a month. She observed that there is currently more competition in the village, and cool drink is less popular with the

current cool (winter) weather. Magalama is rather obese and not very mobile, so she pays a teenager R5 to go to town for her. The return fare is R14, while a bottle crates cost R4 full and R2 when empty (roughly R25 for a trip). The most optimistic calculations would put Magalama's profits from the cool drink sales in the region of R55 – R60. (She also spends R50 to R60 a month on prepaid electricity, a fixed cost she would have regardless of whether she was selling cooldrink).

As she receives a R870 old age pension, and a regular R600 a month remittance from her son, the profit from cooldrink represents in the region of 5% of her income. In light of this, the research team asked Magalama why she did not use her fridge to sell something else, like meat or beer. She explained that does not sell meat as it goes rotten, unlike cool drink which lasts for months. On the subject of alcohol Magalama is 'saved' (i.e. a confirmed Christian), in the Methodist church and running a shebeen would bring disrespect on her house. Although Magalama reports having toyed with the idea of withdrawing from selling cooldrink sales and just 'enjoying her pension' (fieldworkers translation), she readily agreed that cool drink selling gave her something to do. For when people who are waiting at the taxi stop outside her house, they come over and buy and chat to her.

Magalama allows people to take cooldrink on credit. This is how one does business because, 'we don't have money' she said in English. She does not collect the debit people must either pay her or forego any more cooldrink in future. When asked if she engaged in any other economic activity, Magalama explained that she used to have chickens. She used to sell 'Cornish' chickens for R60 each, but her entire stock of 24 birds was decimated by an illness that swept through the village. After this, she sold off her stock of chicken feed and at R1 a cup, and more recently at R1.50 a cup. This was such a small scale activity that Magalama seemed to resist any attempts to calculate its cost or profitability. Instead she asserted that she was emotionally upset at the loss of her birds, and had absolutely no intention of acquiring any more chickens. In future all her chicken would be bought from supermarkets in town, she concluded.

## **7 Contextual factors**

### ***7.1 The importance of contextual factors***

It is important to understand the structural context in which self-employment is conducted.

### ***7.2 The focus of the activity, nature and parameters of the sector***

From this and previous research conducted by the research team, certain varieties of economic activity recur. In these contexts there is a finite universe perhaps a one or two dozen enterprise types, that the informally, self-employed engaged in. Moreover some of these potentially offer greater gains than others.

The enterprises investigated can be sorted into a rough hierarchy. At the apex of the hierarchy are potentially more lucrative forms of self-employment that demand specialist skills such as repairing vehicles, sewing dresses, fabricating tinplate items or operating a taxi. Many of these activities also require specialised equipment (tools, sewing machines, vehicles etc) and, within the research, were amongst the best remunerated forms of self-employed economic activity (within the parameters of the sample). One tier down, an intermediate level of activities, includes building houses, farming chickens and several of the retail orientated enterprises. Retail is diverse and can straddle a wide range of possible activities, from poorly remunerated to highly lucrative - from vending half a dozen pieces of fruit a day on an upturned milk crate, to running a large established spaza shop. Although a suitable location, start up capital and appropriate skills can constitute formidable barriers into retail, it generally demands fewer of the specific technical skills and specialist equipment of some of the higher ranking activities.

Finally, below the intermediate tiers of self-employed economic activity are the least lucrative enterprise types. Typically marked by low barriers to entry and requiring less capital and few skills, those on this tier typically sell only what they can: their physical labour or their time. Hence mud brick making and low level retail, represent the least lucrative forms of self-employment. The former activity relies primarily on the intense physical labour, while the petty vending demands the investment of large amounts of time for extremely small returns. The small packets puffed maize chips sold by polony vendor Zenzi are telling in this regard. A large R25 bag containing 22 smaller packets intended for resale is bought from wholesalers. Selling all 22 packets (over the course of several days, in a saturated market) will net the vendor a return of R3, excluding transport costs. The bottom end of the self-employed hierarchy is extremely labour and drudge intensive, for what are often very small returns. Finally, while this typology of enterprises is hardly exhaustive it is difficult finding countervailing examples in this research (or the research team's previous work). None of the case studies presented here (or in earlier studies – see du Toit & Neves) contained an example, for instance, of someone who was able to make a comparatively comfortable livelihood from mud bricks. The limits of the human body, erratic demand, and a crowded market, impose inherent fiscal ceiling on returns. The pragmatic conditions of the sector selected, often imposes conditions on the economic activity

### **7.3 Regulation, local governance and the right to trade**

Crucial in much informal economic activity is the right to trade. In what follows, we consider in some detail how the informants interviewed secured this right. The right to trade is intimately bound up with systems of governance. When questioned on how they negotiated the about the right to trade, informants frequently proffered accounts that served to illustrate the workings of informal systems of governance. These systems of governance are significantly different in urban and rural areas, and are a crucial part of the backdrop against which informal economic activity occurs.

In the rural areas of the former homelands a significant source of local governance is the institution of the chieftaincy. Although the institution appeals to cultural precedent and

hereditary patrilineal authority, traditional authorities such as chiefs and headman are paid administrative functionaries of the state, and dispense local governance – often quite unevenly. Their influence is particularly strongly felt in two domains: the allocation of land and adjudication of local disputes. Among the rural self employed, some such as Nselo derives his right to trade from his residence in the particular locale. For an outsider to start a taxi business would, he hypothetically explained, would required sourcing a homestead site via the headman. The ‘quqa’ (passenger carrying pick-up truck rural taxi) furthermore requires membership of the local taxi association, and is limited to a fixed route. Although the association is voluntary and not endowed with statutory powers, Nselo thought inconceivable and provocative that anybody would attempt to run a taxi without membership of it. In light of the documented influence and potential for violence associated with urban based minibus taxis organisations, his view may well be justified. In a context of informally violence, or at least the threat of violence, is often key to factor to securing compliance.

Moreover the right to trade can be variegated and complex. Unlike the passenger pick up truck, Nselo’s goods carrying pick up truck does not travel a fixed route, and can operate in villages even where the owner is not resident. The two vehicles constitute different business types, and are subject to different voluntary associations and subject to different regimes of informal governance.

In the urban townships forms of civic authority such as street committees presided, in certain cases, over the allocation of trading sites such (Nongazi). In additional case study informants working in close proximity to the taxi rank, such as Zikhode and Neliswa, readily indicated they could hypothetically appeal to the offices of the local taxi association if they had a dispute with a debtor or an employee. Neliswa also viewed the local taxi association as a source of protection from criminal elements. In these two cases the taxi association, represents a vector of governmentality in a context marked by high levels of informality. The ‘taxi guys’ (in the formulation of a fieldworker) do not however exercise equal influence over the entire township, instead their authority radiates outwards from the offices and rank of the taxi association. It represents a force field of governance which dissipates as it becomes more distal, hence informants conducting enterprises further away from the taxi rank did not readily appeal to the taxi association as arbiters of disputes and for protection from crime (Neliswa). The urban township is helpfully best conceptualised a social topography with a number of disparate, overlapping concentric rings of authority and governmentality. These would include the overlapping and even competing influence of the formal justice system, the police, the municipality, elected councillors, the local development forum, various voluntary associations, the street committee system, the taxi etc.

Related to issues of governance is the question of formal regulation, such as environmental health regulations impacting on food retailers, urban planning and land use and liquor legislation. These institutions often coexist uneasily with informality, they are scarce in rural areas and rather unevenly present in urban townships. A long established take away food vendor (Sibongile) suggested that the relatively stringent apartheid era environmental health food inspections were reconfigured and became less punitive in the

post 1994 period, only to dissipate altogether in the present. Alcohol retail, currently the subject of state attempts at regulatory capture, was another contentious area. Informants sometimes perceived police confiscation of liquor to be arbitrary and capricious. In light of this dynamic, almost as long established as the township liquor trade itself, Sibongile's ex-husband readily articulated how he sought to run his tavern discreetly, without generating too much noise or too many complaints from other residents, in order to evade the attention of the police. Nongazi maintained low levels of stock to evade the of law enforcement, and somewhat cryptically suggested their favourable location enabled them to see the police coming (and presumably hide their stock).

Finally on an uncertain terrain and changing terrain of liquor retail, is perhaps unsurprising that the precise nature of the relationship between systems of informal practice and *de jure* formality can even elude informants themselves. Sibongile confidently asserted she had a liquor license and invited us to inspect the framed copy in the front of her shop. In closer observation her prized 'license' proved to be nothing more than a voluntary undertaken, signed by her under the aegis of an industry body for 'responsible alcohol use'. It carried none of the weight of a formal license.

#### **7.4 Infrastructure**

There is evidence in the study to suggest the importance of infrastructural development as enabling factor for self-employment. Virtually all the larger food or beverage retailers depended on electricity to run refrigeration. Rural based Magalama traced a convergence of factors that facilitated her cool drink selling enterprise including: receipt of capital from an old age pension and remittances, occupation of a suitable structure and the electrification of the village. Similarly the tap Maxaba had illicitly connected to a pipeline had a demonstrable effect her agricultural output, and ultimately supported her chicken rearing business. The benefits of irrigation were so notable that they were evident on the very landscape: in the verdant rectangular patch of her vegetable garden. Finally Zenzi's polony selling at the prime location of a station concourse is facilitated by the protection from the inclement weather, along with the presence of security and cleaning services. Even more favourably for Zenzi the cost for these appeared to be borne by the railway utility. The importance of infrastructure is also evident in the converse: the consequences of its loss. Radebe's business shrank after his loss of his formal business premises. Although he currently has access to a structure where he is a vendor, he lacks workshop space. This not only constrains his output but, significantly, renders him unable to train tinsplate makers (which he used to do in the past). Finally, the research team travelled, with Radebe, to another urban township to visit a confederate who sells his wares on consignment. She displayed the tinsplate items on a busy street corner, but two blocks away is a custom built trading hub. Despite the solid concrete stalls, built on a busy road past the township, the paved courtyard and planted trees it was unoccupied and had been so since its construction a decade ago. The municipal built trading hub lacks lockable storage she complained, rendering it impractical to traders. In addition its high curbs discourage taxis from stopping, and its location seemed articulate poorly with other commuter transport nodes. Strew with dumped garbage and deserted it seemed to stand as a monument to inappropriate and unused infrastructural development.

### **7.5 Credit and microfinance**

The issue of credit and microfinance was a complex one in the study. Although the pressure to grant credit to their impoverished customers was universally felt by the self-employed, they often responded to the pressure in a variety of different ways. As already suggested earlier Nongazi and Sibongile resisted granting credit, although other informants did not. In some cases (such as Neliswa) they had large loanbooks, and engaged in various strategies (such as Neliswa selling shoes in an area where she was not known), while Radebe's sales person would record cell phone numbers and accompany buyers of tinsplate wares to their homes to see where they lived. Some such as Thembela granted credit, and seemed to have little difficulty in collecting it. Others, such as Phumla displayed a remarkable flexibility, in negotiating with a debtor over the monthly repayment, leaving enough for the debtor to still buy groceries. The receipt of microfinance was an equally complex issue, with several of the informants indicating they did not need microcredit. For example Sibongile had no need for microcredit and argued that the interest charged was extortionate. In anticipation of the future expansion of her spaza shop to include a 'fisheries' (fish and chips shop), she had accordingly saved up close to the requisite R30 000 she needed to fund the expansion. Others such as Nselo (holder of an uncharacteristic range of financial products) claimed to require microcredit, but curiously made no attempt to secure this amount from his suite of banking and life insurance products. (Microcredit may have been something he thought he could secure from the research team).

### **7.6 Uninsured risk**

None of the informants in the study relied on short term insurance to manage their risk. Although funeral insurance is widely held (mostly through informal burial societies), only a few informants had life insurance and none had disability, income protection or short term insurance cover. Furthermore informants were generally unable to articulate why they did not have short term or income insurance, and seem to know little about these products. (It is not even clear if such products exist suitable for an informal, self-employed, and highly cost sensitive market). A single informant, the mother of Thenathi's mother, offered up an extended narration on the perils of insurance. She was highly critical of the concept and complained that after her husband suffered a stroke, his insurance refused to pay out. (However, it appears to be a life insurance company, so the informants may have misunderstood the nature of the product). She further described how after a fire destroyed her home and hardware and dressmaking business, she recovered. She secured a police affidavit attesting to her loss, and returned to the fabric and haberdashery shops where she was a regular customer. The shops accordingly donated materials and her daughter (Thenathi) replaced one of the destroyed sewing machines, to enable the business to recommence. In this way the sewing activity recovered from the devastating shock of the fire through a combination of familial support, the mother's respectability and her wily ability to harness her social networks.

## **7.7 Crime**

Crime elicited a similar variety of responses as credit or uninsured risk. Although several of the informants had been victims of crime (such as Marley and Sibongile), other informants (particularly those resident in the rural site) were not. Informants had a number of ways of protecting themselves from criminal victimisation: Thenathi ventured that the proximity of the sangomas to her business deterred criminals, while Neliswa felt the presence of the taxi drivers at the nearby rank discouraged criminals. Marley explained his ownership of a car as essential to avoiding the risks of walking home with his takings at night. In these cases the vulnerability of the self employed to crime is mitigated by social networks and regimes of informal governance.

## **7.8 The spatial context of self-employment**

Finally, many of these factors such as self-employment and the opportunities for self-employment are bound up with particular spatial contexts. The negotiating or claiming of space in which to conduct economic activity was a key aspect of many enterprises, such as repairing taxis and retailing. Several of the long established retailers included in this study benefited from an early (and purposive) claiming of favourable trading locations. In addition to securing a favourable location from which to trade, issues of spatial context are also salient when the self-employed rely on their ability transcend or negotiate as spatial gap as part of their business strategy. Although the rural taxi of Nselo is an obvious example of this, the ability bridge a spatial gap to bring distant goods to market is crucial to the success of both Neliswa's Kwa-Zulu Natal sourced footwear, and Zenzi's polony. In both cases the proprietorial knowledge of where to source these specific products is crucial to the success of the enterprises.

Finally it is useful to reflect that the both research sites, urban Khayelitsha and the focal villages in the Eastern Cape still bear the imprint of the apartheid legacy of relegating Africans to ethnic enclaves, far from the markets, opportunities. Yet this is a somewhat ambivalent legacy. Although the contours of economic advantage were arranged to deny Africans access to the retail and commercial hubs, the relative spatial isolation of the township or communal area, also provided some opportunity for the establishment of the micro-enterprises surveyed in this research. Thenathi, in reflecting on the differences between current day retail, and the conditions under which her father's shop was run, noted that in the past inspectors would come in and check to see that ones' shop was orderly, and its staff neatly attired. Notwithstanding the oppressiveness of apartheid era retail regulation, Thenathi readily attributed her father's current day success to the adverse conditions he honed his skills under. This is not to valorise the adversity of apartheid, simply to suggest that those who were able to eke out self-employment under it were often well placed to survive in the new political order. Tellingly many of the current successful retail enterprises included in this study were established in the apartheid era.

There is however a fundamental discontinuity with the apartheid past, namely the asymmetry of opportunity for retailers. In the past decade corporate retail has entered the townships and former Bantustan towns, yet small scale retailers have not correspondingly



entered the city centres and middle class suburbs (Du Toit and Neves (2006)). They are pinned down in their ethnic enclaves, not by racist fiat but rather by the modern day urban planning, the calculus of land values and discourses of ‘world class cities’. In this way the spatial legacy of apartheid, and its history of relegating Africans to areas away from major hubs of commerce and retail, endures in the post apartheid present.

### **7.9 Value chains and value extraction.**

The study underscored the importance of understanding the often complex value chains in which the enterprises of the self employed can be embedded. For example Zenzi’s small packets of puffed maize chips, were products specifically aimed at a township market. Their aggregation into strategically priced larger packets, suggests they are intend for resale. Their 50 cent retail price point makes them affordable, even if their small profit margin (under 14c per packet) and ubiquity enables them to little more than supplement a potential vendor’s income. Zenzi explained she was only selling them because everybody else is selling them, her innovative high value product was the polony. The value in the puffed maize chips clearly lies not with the retailer, but elsewhere in the value chain: with the manufacturer and wholesaler.

Some of the challenges the self employed grapple with in terms of larger supply chains were graphically illustrated by the experiences of tinsmith Radebe. After the loss of a key intermediary he struggled - not to produce or market his wares - but rather to source the requisite input of tinplate. A call by the research team to the phone number on an old cash invoice, revealed an automated switchboard of a multinational packaging company. Unreturned voice messages were followed up the research team and revealed a firm that had automated its canning operations (thereby reducing the reject tin plate so prized by Radebe). A factory foreman was puzzled by our enquires about the prospect of buying a miniscule R1000 of material, though he misheard and re-enquired ‘how many tons do you want?’. He explained that a scrap metal merchant had successfully tended to buy all the rejected canning metal, and was no longer sold to small buyers at the factory gate. However, he sympathetically suggested, if we could we fax a written offer tendering for a small amount he would see what he can do... Radebe’s supply of materials has not only been disrupted by the overarching forces of factory automation and the formalisation of the scrap metal collection, to simply negotiate it requires sustained engagement (in the English language he does not speak) with a Byzantine switchboard, the fora of formal faxed offers and the largesse of a single key employee.

Finally it is worth noting that how the entrepreneurs negotiate their place in the value in complex ways are seldom passive agents of circumstance, after all Radebe in the above episode readily recruited the research team into his materials buying enquires. Also revealing was Thenathi, whose second hand goods never bore a price because, as she explained, her Black customers would offer substantially less than the marked price. On the other hand, the White and Coloured second hand dealers who occasionally offer her truckloads of stock would raise their margins if they saw her marked prices. Maintaining her prices and margins secrets is part of how Thenathi, like many other entrepreneurs, carves out a niche for herself along this gradient of value.

### **7.10 Tensions of formality and informality**

Much of the above, the structural and contextual backdrop of self-employment can helpfully be conceptualised in terms of a critical tension between formality and informality. In other words the terms in which the self employed are located relative to larger frameworks of formality and informality.

Much conventional thinking around the social and economic vulnerability offers up formality as a way for the self employed to improve their activities and prospects. Limited to transacting with their social networks, and underpinned by a systems of interpersonal guarantees, the informally self employed have a weak relationship to the state. Formality offers the prospect of overcoming this marginality by formalising rights, in order to extend services, entitlements and protections. Formality enables legal redress, secure tenure, protection from hazards, accessing infrastructure, opportunities and markets. Indeed in this research there are numerous examples of how formality has benefited some of the informants.

However the benefits of formality can be ambivalent, for example mounting formality is locking mechanic Zikhode and his colleagues out of repairing the new generation of taxis. Not only are these vehicles more technologically complex, formal maintenance of these is bound up with manufacturer's warranties, service plans and the like. The exclusionary potential of formality, is not limited to regulatory formalisation. Tinplate maker Radebe has increasingly been excluded from his regular supply chains, because a private sector corporation has automated its production and formalised its scrap waste materials disposal. Nor is formality and informality a simple binary, instead it exists along a continuum in the middle of which are hybrid activities, and forms of regulation – the informal formality of the taxi association, liquor retail or the institution of the chieftaincy are examples of these. In addition the benefits of formality are not unidirectional where the move from informality to formality confers advantage. The consequences of formality on the self employed are contingent on the minutiae of their position, and how they position themselves on the continuum from informality to formality. The self employed can be astute users of both of the poles. For example the site of Nongazi's spaza shop, across the road from her residence, was conferred the local street committee years ago when Khayelitsha was first founded. However with the ongoing development of the traditional shack settlements a process of 'de-densification' and tenure upgrade occurs, consequently Nongazi will receive a title deed for her residential stand. However the tenure formalisation process does not allow a single individual to hold two title deeds, nor does she wish to register the property in the name of her boyfriend (who is not a long established partner or the father of any of her children). Nongazi resolved this dilemma by getting her adult daughter to travel down from Johannesburg where she lives with her husband, and sign for the second property in her name, after which she promptly return. In so doing Nongazi has taken advantage of the regime of formality. Finally, informants either did not want training, or reportedly wanted training largely for the formal accreditation it would confer. For instance, Zikhode, interviewed with two other mechanics did not think that he needed any training,

yet he wanted it for the certification it would give him. He elaborated that this would be formal endorsement of the skills he already has, and would enable him to secure a formal sector job. In Zikhode’s case, training is bound up with the machinations of formality.

The complexity of informality and formality is reflected in the matrix below which, with reference to elements of the case studies, captures the ‘positive’ and ‘negative’ of both formality and informality. Note that the assessment of good or bad is from the perspective of the self employed entrepreneur themselves, and may include activities that are socially undesirable or even illegal. For example, the threat of Nongazi having her alcohol confiscated by the police represents an instance negative formality for her, even if regulation of liquor retail may well serve a larger social good.

A matrix of formality

	Formality	Informality
‘positive’	Tenure security and title deeds (Nongazi) Electrification (Neliswa, Magalama) Facilities at station concourse (Zenzi)	Permission not required to erect stand (Marley) Illegal water connection (Maxaba) No zoning restriction on running production form home (Radebe)
‘negative’	Taxi recapitalisation (Zikhode) Alcohol confiscated by police – or threat thereof (Nongazi)	Uninsured risk (Thenathi)

All of the above therefore constituted important contextual factors against which self-employment takes place, in what follows self-employment is considered in detail.

## **8 ‘Success factors’ for self-employment**

### **8.1 Introduction**

In this section we reflect on how the people involved in the case studies dealt with the challenges imposed by these structural conditions and contextual factors. In particular, we are interested in identifying some of the key factors that made a difference to the extent of people’s economic agency – in other words, the factors that either supported or undermined their self-employment, and that made the difference between ‘success’ and ‘failure’.

We start off by highlighting how the case studies illustrated the diversity of the ways in which the protagonists of the case studies were able to constitute themselves as economic agents. In particular we highlight their rather different aims. This sets the scene for a short discussion on how to evaluate the extent of what we have called ‘economic agency’ and the success (or failure) of an enterprise. We then consider some of the patterns that

seem to emerge from a discussion of the ‘internal’ characteristics of the businesses, households and individuals concerned.

## **8.2 Beyond ‘survivalism’ and ‘entrepreneurship’: the multifunctionality of self-employment**

Firstly the studies highlighted the great variety of the forms and formations of self-employment. They highlight the need for analysis to be sensitive to the very different aims and purposes of different kinds of self-employment. Reducing what the protagonists of these businesses were trying to do merely to ‘survival’ does not do justice to the fact that some of them were doing, or were hoping to do, much more than that.

1. In the first place, for some of the people involved [examples], their economic activities were not merely aimed at putting bread on the table (basic survival) but formed part of a broader economic strategy at least notionally aimed at *accumulation*. Seeing the activities of poor and self employed people simply as concerned with day to day subsistence ignores the fact that, marginal as their activities are, they make sense within a broader *telos*, and strategies and plans that consider much larger time spans.
2. Secondly, in many of the cases considered here, enterprises should not simply be understood in their own right, but in terms of the way they contributed to the household’s broader portfolio of activities. In Nongazi’s case, for instance, the what mattered was not simply the income stream from the business itself, but the household’s opportunities for direct off-take. The fungibility of food expenditure means that in many food retail enterprises pecuniary returns are subordinate its contribution to household food security. To use another example Nselo’s rural taxi (‘quqa’) business generates income but makes no provision for depreciation or renewal of his vehicles. Instead its long term trajectory is likely to be downward. What the enterprise does do is harnesses his skills and kin-mediated access to credit and vehicles, to extending an existing endowment of assets and stretch is available income.
3. Thirdly, the economic and livelihood strategies of many of the people interviewed were concerned with much more than survival not merely because they also tried to save or increase their assets over the years, but also because they were concerned with *repositioning themselves within South African society* in a more fundamental way. Though many of the people interviewed were profoundly marginal within South African society, they and the people in their households and families were pursuing strategies that were in many ways about reducing that marginality – either by getting, directly, a sounder or more advantageous footing within the formal economy for themselves, or by ensuring that their children acquired an education that would allow them access to skilled employment. It is notable that for each of the successful spazas/ stores indicated, the households involved were *not* schooling their children to take over the business; rather, their informal sector business was a foothold in the economy of greater Cape Town

- that enabled investments in education and schooling. In one of these over two decades of trading had succeeded in supporting the ascent of the children into the professional middle class jobs of teaching and nursing. The household prioritised education, and there was the strong suggestion that the aging storekeeper could expect the assistance of her children employed in the formal labour market. Ultimately self-employment was aimed at transcending self-employment.
4. Related to this is the fact that self-employment sometimes was not only part of a broader strategy aimed at repositioning people's structural insertion into the economy at large; it could also be aimed at strengthening their protagonists' social position on insertion in the much smaller context of their kinship network, family or household (Thenathi would perhaps be an example of this). Access to self-employment, for these people, was not mainly, or not only, about hand to mouth survival; it was also about securing an independent income stream that would increase their bargaining power or their structural position within the practices of reciprocal exchange that constituted what in development speak is known as their 'social capital'.

Fourthly, self-employment also seemed to hold, for some of those interviewed, advantages that extended beyond the material or the economic. For instance the pension and remittance receiving Magalama generates approximately R60 a month from her cool drink sales. As this represents approximately 5% of her income it should not be primarily regarded as an income generating activity. Instead cool drink retail is an activity which keeps a mobility impaired, elderly woman, resident in a single person household, busy and socially engaged. Her customers, waiting for the taxi at the stop in front of her homestead, come in to share the village gossip and a cool drink. For Magalama, it appeared, the money she made from selling cooldrinks was not the main or the only aim of her enterprise; as important was the fact that it 'gave her something to do', and was a key way in which she, an otherwise easily marginalised person, could ensure a form of integration into the moral community of village life. Although the decidedly un-commercial motivation underscoring Magalama's enterprise represents an extreme example, there are other cases which illustrate the complexity of motives and meanings self-employment can be invested with. Rather than simply generating an income, an enterprise may be an important source of consumables such as food (Nongazi); be orientated towards propelling the next generation into the formal labour market (Sibongile); simply serve to delay the inexorable depletion of an existing portfolio of assets (Nselo); or be bound up with sub-cultural mores and ideologies of self-sufficiency (Marley). Finally, Marley readily accounted for his fruit and vegetable business in terms of the Rastafarian ethic of entrepreneurial self sufficiency and the desire to avoid 'working for others'. Rastafarians, it was observed, frequently run township fruit and vegetable stalls. The choice of enterprise is in itself not coincidental, Rastafarians are frequently vegetarians.

Clearly, categorising such activities as ‘survivalist’ is to misunderstand much of what is important to them – and to lack essential tools for evaluating their degree of success. The same goes for the notion of ‘entrepreneurship’, particularly if it is normatively understood. Measuring their success against the abstract and normative standard of an ideal-typical entrepreneurship risks ignoring the actual aims and purposes that inform their activities and plans.

### **8.3 Understanding success**

The above criteria means that we should be careful in developing simplistic standards of success or failure. In the first place, there is obviously a continuum between the two. In the second place businesses may succeed in one respect (or enable the fulfilment of a particular aim) and not another. Key questions in evaluating the extent to which a business was successful include the following:

1. What are the prospects for the survival of the business entity in the both the short and long term? This relates to the vulnerability of the business, including its ability to fund its operating capital needs, to preserve against depreciation and risk, and to guard against crippling claims (such as shocks) by household members.
2. What are the patterns of accumulation? This relates to the extent to which the enterprise serves as part of a strategy of accumulation, saving or investment.
3. What are the prospects for the growth of the business? This relates to the extent to which the business is able to organically grow, which it may do for a number of reasons such as maximising returns or deterring competitors.
4. To what extent is the business able to make a positive contribution to intra and inter-household synergies? This is concerned with the manner in which the enterprise contributes to the ebb and flow of resources in the context of the household.

### **8.4 Identifying possible enabling characteristics**

A key question, then, is whether there were any features of the businesses (or individuals, or households themselves) that could be said to contribute to success (or prevented failure) according to one or more of the criteria above.

Here, it is necessary to proceed carefully. It is not possible to develop more than conjectural or hypothetical arguments about the relationship between the presence or absence of a particular factor, and its contribution to failure or success. A much wider spread of case studies is needed for causal links to be definitively or persuasively established. The present study cannot do this. What it can do, however, is to identify possible links which can be tested in further research. A key purpose of the pilot study was thus to identify some of the possible factors that made a difference to the ability of self employed people to achieve their aims.

The research did, indeed, seem to highlight a number of key issues. The more successful cases of enterprise-households were generally marked by a number of characteristics.

#### 8.4.1 *The importance of access to formal sources of income*

Firstly, in many of the successful cases, there clearly is a strong recent or current link to the formal economy through labour (a household member or benefactor employed in a regular, remunerated formal economy job). These businesses benefited from the fact that there was regular and predictable income coming into the household from the wages of a member, and from social grants. In some other cases there was a prior history of connectedness to such income, which had allowed the accumulation of significant savings or other benefits (such as a contributory pension, retirement or disability benefits). These could assets could be from the households formally employed at present (Zenzi) or assets accrued by those employed in the formal sector in the past (Nselo). These linkages with the formal economy can also takes the form of a legacy of formal employment (such as contributory death or pension benefits) earned by a now deceased household member. An example of this would be Maxaba, where her late husband's death benefit, freed up the capital for her to become a small entrepreneur.

This pattern was also found in earlier research conducted by the present authors (du Toit & Neves 2006). This research highlighted the *hybrid* character of much informal employment, and the importance of understanding the ways in which formal employment and informal self-employment complement or supplement one another. It also highlights the centrality of supporting formal sector employment in South Africa, and the central role played by social grants income in supporting informal economic activity.

#### 8.4.2 *The role of connection / disconnection with the 'formal economy' generally*

The above paragraph refers specifically to access to formal sources of income, e.g. regular wages, cash grants or retrenchment packages. This should not be confused with the notion, very prevalent in Second Economy discourse, that success requires strong linkages into the formal *economy* in general. Indeed, one notable feature of the research is that it highlighted a number of businesses that existed entirely within the 'second economy,' and which were not strongly linked to the formal sector at all, but which were in their own terms moderately successful. Cases in point are the relatively well established urban businesses described in this report (Thenathi, Nongazi, Sibongile & Radebe). All four urban cases of retail had limited histories of formal labour market involvement, but early and sustained experience of entrepreneurial activity under the adverse conditions of Apartheid-era retail regulation. Crucially, these households benefited from early and proactive acquisition of a favourable trading location during the final years of influx control – a situation that allowed them, as it were, to 'get in on the ground floor' of Khayelitsha's informal economy. As we shall argue below, they seem

to have been able to survive as businesses in spite of their supposed ‘disconnection’ with the formal economy, because they developed other strengths

#### *8.4.3 Acquisition of appropriate ‘human capital’, skill, experience and know-how*

One of the key issues that seems to have been crucial to the survival of many businesses – including those who seemed quite disconnected from the so-called ‘First Economy’ was that they trade on a significant fund of human capital, skill and experience. Several informants described having benefited from schooling or formal training. Fruit and vegetable vendor Marley benefits from his formal schooling, and explained that his business subjects gave him a sophisticated and useable knowledge of business concepts. Both Neliswa and Maxaba received training (sometimes at considerable fiscal and opportunity cost), in specific technical skills (dressmaking and chicken rearing, respectively) which has subsequently paid dividends. Maxaba even cited a desire for further training, specifically on the chicken disease that threaten her birds. Yet despite this there was some ambivalence around training, several informants (such as Thenathi) received training but did not think it very helpful. Training seemed to be of most use when it was focused on specific technical skills, rather than of the generic ‘business’ skills type.

However human capital development cannot be conflated with formal business training, which indeed seemed to rank quite low in the kinds of human capital on which businesses seemed to rely. Rather, what was crucial was often their ability to rely on an extensive fund of experience and practical know-how. Examples of these include the informal induction and apprenticeships. These forms of human capital acquisition therefore straddle a continuum ranging from the largely tacit process of Thenathi’s ‘socialization’ by her father into self-employment, through to informal induction and apprenticeships of mechanic Zikhode and builder Thembela, right through to formal schooling and training of Marley and Neliswa, respectively. Informal inductions and apprenticeships, particularly where the underlying task is a complex technical one, this can be an important pre-condition for conducting a successful enterprise. For example builder Thembela and mechanic Zikhode acquired their skills through keen observation and informal systems of training. Subsumed within this broad group of the informally trained might be added fruit and vegetable vendor Marley, and tinsmith Radebe, who similar hybrid forms of skills acquisition. Marley refined his retail skills in an early partnership with other fruit and veg selling Rastafarians, but also draws on his formal schooling (matric from a good school) to understand the economics of his enterprise. The elderly Radebe is largely self-taught, having conceptually disassembled existing tinsmith items, in order to learn how to replicate them. Yet he describes how specific technical problems (fabricating the difficult 90 degree corners) required he observe a more skilled craftsman make these, which he accordingly sought out.

These forms of know-how and skill related explicitly to the business activity at hand (fixing cars, building houses). But they also related to a wide range of other kinds of often unspoken knowledge essential to survival as a business: knowing how to work with



suppliers and customers, knowing how to engage with officialdom, ‘working’ the complex intimate politics that constitute social networks and ‘social capital’. It is worth bearing in mind that the rubric of human capital acquisition is however more complex than the mere acquisition of skills. It can be a product of complex, constellations of experience and personal history. An example is retiree and rural taxi operator Nselo’s birth into the village elite (his parents were teachers) and superior education relative to his generational cohort. This arguably facilitated his semi-skilled urban employment, which in turn contributed to his present day enterprise.

#### *8.4.4 Pluriactivity and inter/intra-household synergies*

Many of the more successful enterprises (particularly in retail) were marked by tidy internal synergies between several activities. Examples include the tavern, spaza shop and braai meat business of Nongazi – her customers could drink and eat. While Neliswa’s household sewed dresses, healed ailments and peddled a niche range of footwear. This diverse portfolio of activities straddled production (dressmaking), retail (dress and shoe selling) and services (healing), conducted at a different locales, different times of the week, and aimed at different markets. Even relatively unifocal enterprises such Maxaba’s chicken farming business relied on significant ancillary activities such as the growing and grinding of maize

As important were complex co-operative relationships with other businesses and enterprises. For example Thenathi’s hardware and second hand goods store, was run in parallel with her father’s hardware store across the road. The two proprietors would each send customers to the other store if they were out of stock on a particular item, Thenathi would go to her mother’s household and sew during the slow period, a young woman would be dispatched from the father’s house to mind Thenathi’s stall when she went out. In addition her enterprise was also bound up in a mutually beneficial relationship with the sangomas sharing the same building. The sangomas occupied the premises rent free, while their presence drew a passing trade and served to deter criminals. Another example is provided by Sibongile’s spaza shop, which sells her take away foods and small grocery items, but also sells her ex-husband’s alcohol on consignment. Finally, both Sibongile and Nongazi have arcade games machines in their spaza shops which were owned by third parties, but the profits are evenly split.

Some, such as Nongazi and Sibongile, extend very little or no credit whatsoever. Neliswa extends credit, but limits the potentially corrosive effects of social claims on the recovery of debit, by peddling the footwear in an area where she was not resident. This, she clearly explained, meant she was less well known, and rendered her customers more inclined to budget for and pay their debit. Informal entrepreneurs also sought to contain potential social claims emanating from kin, in some cases by simply not employing them at all. Marley largely dispensed with his unreliable, distracted younger brother, and ran his fruit and vegetable stall single-handedly. Dressmaker Neliswa hired a non-kin employee because, as she explained, they were easier to control and dismiss. Similarly Thenathi described sending her children back to be schooled in the Eastern Cape, as they pocketed the proceeds of her stall. This negotiation of the boundary between individual

and household entitlement can be considerable and complicated. For instance mechanic Zikhode's position in a web of reciprocal obligation within his household is complex, but traceable through the resources he provides it with. In certain domains he discharges his filial duty and contributes to common resources (he provides grocery money every alternate month), but in other domains (such as his siblings' school lunches) he disavows any obligation and makes no contribution. Furthermore, his status as an adult son in his father's household frees up discretionary income he is able to engage in (relatively) sizeable levels of personal consumption (alcohol, and a daily hot lunch).

#### *8.4.5 Labour Capacity in the household*

The more successful cases either displayed an ability to mobilise their internal household labour, or alternatively, engage in mutually beneficial co-operative work arrangements with others to mobilise the necessary labour. They frequently drew on non-market labour, or depended on unremunerated care chains to facilitate the employment (Zenzi's child fetched from crèche by the neighbour's children or her husband while she is selling polony). An example of the later would be Phumla's regular collaboration with two other women to make mud bricks. Rather than assuming sole responsibility for the production of a large number of bricks their collaboration serves to keep all three woman more consistently busy. While the urban spaza shop of Nongazi successfully commanded the labour required to simultaneously run three enterprises split across two distinct locales (separated by a busy road), by drawing its children in during the busy afternoon retail period. In this way the rhythms of the day's trade was synchronised with the school day. Although labour is crucial to trade, it is useful to stress that much of the toil that enables informal activity is both invisible, and cast in the rubric of 'helping' rather than labour or work. Finally, in some cases production-orientated enterprises (dressmaker Neliswa and tinsmith Radebe), hired employees to conduct the retail end of the business, freeing them up to fabricate products. This general theme is perhaps best expressed in its converse: a dearth of labour capacity, or an inability to mobilise and organise labour is associated with some of the most the marginal of self-employed activities and enterprises.

Furthermore several informants displayed a reluctance to separate out the enterprise from the domestic economy; they are reluctant to describe employees as such (employees were rather consistently described as 'helpers'). Although it is possible that informants were consciously trying to evade the formality of employment legislation, it appeared more likely that few informants has conceive of themselves as authentic employers, akin to those in the formal sector. The force of social reciprocity was evident in a fieldworker counselling he thought it was impolite to definitionally insist that (paid) staff were 'employees' or 'workers'. To do so was a reproach on the social reciprocity that animated these relationships.

### 8.5 Inhibiting characteristics

In contrast to the characteristics of successful enterprise-households discussed above, a single case of a less successful form of self-employment contrastively shows the importance of all of the above factors. The household of mud brick maker Bongani is marked by a litany of disadvantage including:

1. *Disconnection from the formal labour market.* The household has no history (in the last two generations) of engagement in the formal labour market. One of the direct consequences of this is the paucity of their accumulated assets (even by village standards). Not only is their dwelling small and of poor quality, the household consumer durables such as furniture and basic productive assets such as a tarpaulin to cover mud bricks in inclement weather.

2. *A long history of social marginality.* There is the suggestion that the household is relatively stoically isolated and atomised. For example, Bongani's elderly mother, long bereft of a male socio-political guarantor within the village, has no education (she did not even know what year she was born) and has been unable to secure a state old age pension.

3. *Low labour capacity.* This is a small household where two of the three adults are ill and incapacitated. Hence Bongani, an adult male with no siblings, is caught between the demands of self-employment and domestic care work.

4. *An unfavourable pattern of human capital accumulation.* This is reflected in the comparatively poor levels of educational attainment by the three adult members of the household, and the fact that two of whom suffer from chronic ill health.

5. There is the suggestion of *intra-household conflict, contestation and a lack of internal household organisation.* A stint of casual employment outside of the village prompted acrimony over resources between Bongani, his mother and wife. Finally, the research team's fieldworkers, on their own initiative, attempted to facilitate the informant's contact with the local agency to apply for a state old age pension; only to be frustrated by the household's procrastination, disorganisation and inability to grasp the opportunity.

A few observations are germane here. It is important to note that in terms of self-employment none of the above factors are in themselves necessarily inhibitory - indeed some were present even in cases judged to be examples of successful self-employment. However, seldom were more than one or two of the above factors present in successful cases. It is probable the accumulated weight of these inhibiting factors exercises a compounding effect, and mitigates against successful self-employment.

A second caveat is that the above are simply factors observed to coincide with diminished possibilities for self-employment. Yet, the precise nature of the causal relationship is beyond the scope of this inquiry to adjudicate. There is likely to be a complex, recursive transgenerationally enduring relationship between these factors and outcomes such as

household well being or informal self-employment. So a factor such as low levels of human capital formation and educational attainment is likely to both be cause and effect of vulnerability and marginalisation.

### **8.6 An overview of case study characteristics**

The table below provides a general overview of some of the most salient of the characteristics discussed in this section. The first column (from the left) ‘Name of informant and brief description of enterprise (*italics*)’ indicates the name of the primary informant and in *italics* is a description of the type of enterprise or economic activity. This description of the enterprise is necessary schematic, with a full description of enterprise or economic activity described in each case study. The second column entitled ‘Relative size ranking of enterprise (profit)’ gives an indication of the size of the enterprise. Two points are here noteworthy, the first is that the three point scale of small, medium and large simply sorts the enterprises relative to each other. Hence the ‘large’ is large only within the total sample of relatively small entities. The second point is that size was judged by profitability and turnover, but this data was at best an estimate. In light of the difficulties quantifying profit noted above, this data serves only to give a sense of the order of magnitude of the enterprise. The third column ‘Linkage with formal labour market’ indicates if there was a linkage with the formal labour market, or the legacy of the linkage with the formal labour market, or the financial legacy of a linkage with the formal labour market. The fourth column ‘Positive human capital acquisition + type’ reflects whether there is, in the background or history of the case study, a favourable pattern of human capital acquisition — either in the form of formal education, or informal skills training or apprenticeship — which has *directly* enabled the informant to successfully engage in economic activity. This is reflected with a binary Yes or No. In the case of Yes, it is followed by the label indicating formal (formal training or schooling relevant to the enterprise), or informal (informal or tacit systems of induction, apprenticeship, immersion or socialisation).

The fifth column ‘Pluriactive household’ reflects if the focal household can be characterised as pluriactive in other words engaged in multiple economic activities. If so it is marked yes; if informal self-employment is limited to a single activity it is marked no. The sixth column indicates whether there are ‘Synergies with other enterprises or economic activities’, external to the focal household. This item is not concerned with upstream or downstream linkages (which are present in most of the sampled enterprises), but rather the horizontal relations with other entities or activities outside of the focal enterprise household. In other words while the preceding column reflects if the focal household is internally economically diversified, while column five indicates whether it is linked to external economic entities.

The seventh and final column reflects whether (via a Yes or No) there is ‘Surplus labour capacity within the household + source’, which could be harnessed in the focal enterprise or economic activity. This column reflects the source of the labour used in the enterprise,

in terms of a three point scale of: Self, Kin or Hired. These three options, combined with the binary Yes or No, offer up six possible permutations in this column.

	Name of informant and brief description of enterprise (italics)	Relative size ranking of enterprise (profit)	Linkage with formal labour market	Positive human capital acquisition+ type	Pluri-active household	Synergies with other enterprise or economic activity	Surplus labour capacity in household + source
Rural	Nselo <i>Taxi</i>	Medium	Yes	Yes. Formal	No	No	No. Hired.
	Maxaba <i>Chicken farming</i>	Large	Yes	Yes. Formal	Yes	No	Yes. Kin.
	Themabela <i>Building</i>	Large	No	Yes. Informal	No	No	Yes. Hired.
	Bongani <i>Brick making</i>	Small	No	No	No	No	No. Self.
	Phumla <i>Brick making</i>	Small	No	Yes. Informal.	No	No	No. Self.
	Magalama <i>Cooldrink retail</i>	Small	Yes.	No	No	Yes	No. Hired.
Urban	Thenathi <i>Hardware</i>	Large	No	Yes. Informal.	Yes	Yes	No. Hired.
	Nongazi <i>Tavern &amp; spaza</i>	Large	No	Yes. Informal.	Yes	No	Yes. Kin.
	Neliswa <i>Dressmaking</i>	Large	Yes	Yes. Formal.	Yes	Yes	Yes. Hired.
	Marley <i>Fruit &amp; veg retail</i>	Large	No	Yes. Formal.	No	No	No. Self
	Zenzi <i>Polony retail</i>	Small	Yes	No. Informal	No	Yes	No. Self
	Zikhode <i>Mechanic</i>	Medium	No	Yes. Informal.	No	No	No. Self.
	Radebe <i>Tinsmith</i>	Large	No	Yes. Informal.	No	Yes	No. Hired.
	Sibongile <i>Spaza shop</i>	Large	No	Yes. Informal.	Yes	Yes	Yes. Kin.

## 9 Understanding self-employment and economic agency: a framework for research

### 9.1 Introduction

These considerations and observations help considerably in the development of a conceptual framework for research, and in identifying particular issues for more detailed qualitative and quantitative investigation. In this next section some aspects of such a framework are briefly set out, followed by some comments on how these can be quantitatively and qualitatively explored.

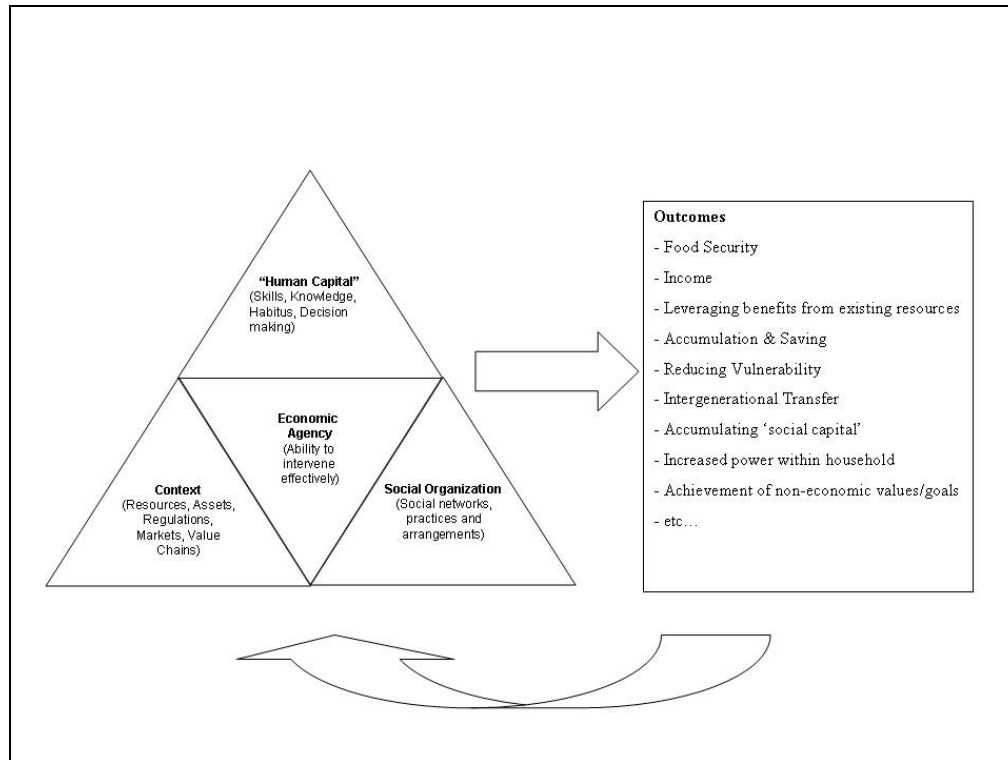
### 9.2 Key elements of a framework for research

To begin with, we recap key aspects of the argument so far. In the first place, it is important to remember that this report has argued that our attention should be focussed particularly *on the extent to which people involved in self-employment on the margins of the economy are able to be effective as economic agents*. This is an important issue, because it focuses attention on the marginal, ‘excluded’ and often powerless situation of poor people involved in self-employment, and the extent to which their structural insertion in society and their exposure to poverty and vulnerability create significant constraints and obstacles for them. Understanding the nature of these constraints and obstacles is therefore of crucial importance – as is understanding the factors that support their attempts to engage with or respond to these challenges.

Framing the question in this way allows us to go beyond simplistic models that evaluate self-employment at the margins of the formal economy simply in terms of their success or failure in allowing survival, or that look at them simply as entrepreneurs. The case studies have supported this injunction, highlighting the multifarious and divergent aims – economic and social – that self-employment can serve. Rather than looking narrowly at the income stream realised by self-employment, we should also look at how activity may contribute to livelihoods through, for example, the opportunities for direct off-take, through synergies with other activities, through opportunities for leveraging other forms of reciprocal exchange (‘amassing social capital’), for strengthening its protagonists’ bargaining position within the household, for enabling other, long term intergenerational plans, and for allowing the achievement of other, non-economic values.

People’s ability to realise their plans and to maximise the gains from self-employment seem to be affected by a wide range of different factors. Some of them relate to *contextual factors* – the way people are structurally positioned within the economy; their access to resources; key features of the institutional and regulatory environment and so on. But alongside the narrowly economic contextual factors, the research has in particular highlighted the key role played by social arrangements: the internal relationships within households, the synergies between activities, and the power relations that govern the ‘intimate politics’ of the claims and counter-claims (e.g. for labour time,

or for access to business income, or for direct off-take) and the broader social networks within which the individual and the household is positioned. Finally, the research has also highlighted the crucial role of the skills, abilities, bodies of knowledge, aptitudes, attitudes and personal resources directly disposed over by the business owner or protagonists.



**Figure 1: A simple schematic framework for understanding economic agency in marginalised self-employment**

These different elements can be briefly summarized in a diagrammatic way (see Figure 1). Although this is a simple diagram, it is useful heuristically as an elementary framework for highlighting some of the key checklists of issues that researchers should pursue.

- The issues on the left hand of the diagram represent the interplay of complex factors contributing to (supporting and undermining) economic agency. (Economic agency is here placed at the centre of the pyramid, to indicate how it interacts with all three other dimensions)
- The list on the right represents a brief list of *some* of the kinds of livelihood and other outcomes that self-employment can be understood to contribute to – and achievement of which of course, in turn, reshapes in a

complex feedback loop, the conditions of economic agency in the first place.

The discussion above has already highlighted many important aspects of each of these elements; the discussion below builds on this and highlights relevant research issues

### **9.3 Understanding structural and context factors**

Research needs to invoke a clear understanding of the key factors that shape how people are structurally inserted in their economic context. This covers a wide range of issues, each of which can play a key role in enabling or constraining agency, including:

1. The possession of, and access to, resources. Here a wide range of resources are relevant, from productive resources like tools, land and livestock, to issues such as appropriate access to credit and microfinance and resources such as education and training.
2. Key aspects of the local regulatory context such as tenure relationships, zoning, local government, regulation of the right to trade. These confer a juridical or quasi-juridical parameters on how individuals can act.
3. Issues relating to geography and spatial configuration such as distance from markets, ‘physical capital’, and the ability to transport networks all pattern opportunities and risks in space.
4. The configuration of markets, and structures related to value and commodity chains, confer parameters on individual agency.

### **9.4 The Social Underpinnings of Economic Agency**

This report has emphasised the key role played by social arrangements, networks and relationships in shaping the nature and influencing the success of the activities of marginalised self employed people. More research is needed to establish this conclusively but it appears from the case studies explored here, and from work done elsewhere by the present authors (du Toit & Neves 2006) that at the margins of the formal economy, the social networks and reciprocal practices within which people participate play a particularly central role in shaping the nature and the success of self-employment. In a market in which most customers don’t have cash, where businesses have to survive by carefully managing credit, and where credit is for the most part informal, the nature of personal relationships between self employed people and their customers is centrally important to the survival of a business. In a context where income fluctuates, and where the unpredictability or riskiness of economic activity militates against formal contracts, employment is government by people’s ability to extract labour as a ‘favour’ or prostration in an informal exchange. In a context where household food



security is at risk, and where survival depends on the ‘intimate politics’ of intra-household negotiations, claims and counter claims, it is often hard to create clear boundaries between the domestic and the business economy, and to protect the business resources from domestic claims.

As these examples indicate, researching the networks that are part of the social basis of economic agency requires attention to both inter- and intra-household dynamics

- (1) On the intra-household level analysis has to look particularly at the ‘hidden transfers’ that take place between the domestic economy and the business economy: on the one hand, for instance, the business can draw on the unpaid labour of household members ‘helping out’; and on the other hand, household members can sometimes benefit significantly through ‘eating from the stand’ and other forms of direct off-take.
- (2) On the intra-household level, business exchanges are often based on, and form part of, forms of reciprocal exchange household members participate in.

In *each* of these situations, complex personal relationships and networks play an *ambiguous* role. On the one hand, they play a crucial role in *enabling* economic agency in the first place: such social networks are the conditions of possibility for self employed people to be economic actors in the first place. On the other, by that very centrality they can also *limit and constrain* what is economically possible: if internal ‘off-take’ by household members is not checked, for instance, a small spaza’s very existence may be threatened, and the requirements of keeping ‘good neighbours’ may prevent the recovery of bad debt.

### **9.5 Human capital, training and development**

Finally, the case studies also highlight the central role played by the *personal* skills, abilities, bodies of knowledge, repertoires of action and strategic choices of the protagonists involved. Some of these, like formal or informal training are easily visible through sociological and economic lenses, while others – the personal resilience of the people involved, their inventiveness or their proactively - are more elusive, and seem to belong to the domains of psychology. Yet understanding them sociologically is crucial to a clear grasp of self-employment in these difficult conditions.

A few general remarks are in order. For one thing it is clear that a wide range of different kinds of knowledge or skill are required:

1. Most obviously, many businesses relied on very specific kinds of know-how and technical skill: bodies of knowledge that were specific to the business or enterprise concerned.

2. Beyond these specific skills, businesses also rely on much more generic abilities related to the generic task of running an enterprise (marketing, pricing, servicing customers)
3. Thirdly, and even more elusively, the more successful of the people interviewed also brought a wide range of other bodies of social knowledge and culturally specific ability to bear on their task: knowing, for example how to work with one's social capital, or knowing how to negotiate complex and often delicately balanced relationships with elite members and holders of power

Some of these kinds of knowledge and know-how are clearly *formally* acquired. Very often what matters about formal training is not only the particular knowledge it imparts but, as the example of the mechanics indicates, the link between formal training and specific kinds of accreditation.

Much more often, key skills, aptitudes and kinds of knowledge are *informally* transmitted. The case studies richly illustrated the powerful role that different kinds of informal apprenticeship played in helping the protagonists of these stories develop their abilities.

Some of the most elusive, yet crucially important aspects of human capital do not even relate specifically to particular bodies of explicitly taught knowledge. Here we are speaking of the manner in which entrepreneurs are acculturated into self-employment. This process can be bound up with formative experiences and the process of individual socialisation. For instance Thenathi described how the transmission of experiences and knowledge that occurred through her entrepreneurial father, who not only sternly advised her to reinvest in her enterprise, but also inducted her into to somewhat arcane procedures (and unfamiliar linguistic medium) involved in buying from auctions. In a rural analogue, children are frequently present at sites of mud brick making, are thereby acquire the tacit, unschooled knowledge of producing the bricks. The induction of social actors into self-employment recalls Bordieu's (1977) notion of *habitus*: the enveloping context and its cultural repertoires that provide the basis for action by the social actor.

It is useful to reflect that Apartheid era spatial and retail regulation sought to actively discourage informal economic activity by Africans, disrupting the acquisition of many of these skills across several generations. Some of the more established retailers reflected on the skills they acquired and honed during under the prohibition and sanction of the apartheid era. Finally it is useful to reflect that induction into entrepreneurialism is not necessarily always the product of vertical power relations between expert and novice, teacher and taught. Becoming an entrepreneur can also be evident in more equitable, horizontal peer relationships, for example Sibongile characterised her ex-husband and herself in effect learning from each other from their mid 1970s establishment of spaza shop trade.

## 9.6 Overview

This section has provided a general heuristic and conceptual framework highlighting various issues that are relevant to the exploration of self-employment. Clearly a wide range of possible research projects is possible, both to better understand each of the elements set out here, and to explore the nature of the causal relationships and dynamics between them. The final section of this report highlights some key directions of research available for pursuit within and alongside NIDS

## 10 Recommendations

### 10.1 Introduction

NIDS is in the first and final place a fairly tightly focussed longitudinal study of income dynamics. At the same time, NIDS canvasses a range of ancillary and connected issues that are relevant to, impact on, or are influenced by income dynamics.

Self-employment is one of the areas that are relevant to NIDS but which it does not directly study. A better understanding of self-employment will cast light on many of the issues NIDS focuses on; while the information collected by NIDS will be of significant interest to those trying to understand the longer term dynamics of self-employment.

The concluding sector of this report therefore faces a complex task. In the first place, it identifies key research questions about self-employment emanating from or suggested by the pilot project. It will briefly comment on the relevance of these research questions to the core NIDS focus; but it will also highlight the ways in which the combination of quantitative and qualitative information alongside NIDS can contribute to the longitudinal understanding of self-employment.

### 10.2 Central research questions

The above pages suggest a number of interlocking research questions that can be used to pursue the leads explored here, and to further explore and test some of the relationships and dynamics hypothesised. In particular, it suggests that a detailed and substantive understanding of self-employment needs to compass six interconnected areas

1. How are the marginalised self-employed *structurally situated* in the economy? As discussed above, this includes being able to develop a profile of their control of assets, as well as the ability to locate them and their resources in an understanding of their locale economic contexts.
2. What are the social arrangement arrangements and networks within which self-employment is situated? Here, research needs to explore the intra- and inter-

- household relationships, networks and processes that shape self-employment. Paid and unpaid labour by household and family members is clearly a central issue
3. What are the human capital resources over which self employed people dispose? A profile of human capital resources should look at formal skills training as well as subtler and more nuanced issues related to personal histories and human development
  4. What are the activities and forms of self-employment? Here, research will be concerned with building a broader understanding of the range of self-employed activities
  5. What are the benefits self-employed people are able to realise from their activities? An understanding of self-employment should not only look at income, but also at the other, more indirect benefits and spin-offs such as off-take by household members
  6. What are the relationships between these different factors? Research and analysis will need to trace and test the complex relationships between the factors and issues identified in the first five questions

Obviously the research questions set out above can be unpacked in a myriad ways. The final section of this report will focus specifically on the relevance of these questions for NIDS

### ***10.3 Implications for quantitative research on self-employment within NIDS***

The current version of the NIDS questionnaire contains some basic questions on self-employment. In addition, the above discussion should make it clear that NIDS would be able to contribute to an understanding of self-employment in a much broader way than simply through the self-employment question, because many of the broader issues canvassed by are of relevance to the themes described here. By collecting information relating to ‘structural poverty’, livelihood activities, human capital, and by allowing exploration about the linkages and correlations between these and self-employment, NIDS can make an important contribution to the understanding of the issues discussed in this report.

At the same time, it appears that the ability of NIDS to focus effectively on self-employment, and the scope for effective integration between NIDS and qualitative approaches to self-employment, can be optimised through careful design. Here, a number of key recommendations emerge.

1. NIDS’ questions on self-employment should allow for the identification and disaggregating of a wide range of activities and forms of self-employment. Detailed comments have been provided to the NIDS consortium in this regard.

2. The complexity of the relationships between the domestic economy of the households concerned, and the business economy of the enterprise, and the ubiquity of ‘invisible transfers’ between them mean that accurate assessments of profit or net income from self employed activities or business remain elusive. At the same time, getting a sense of the ‘order of magnitude’ of the business is clearly useful. A roughly adequate assessment of monthly expenditure or income is enough to provide this.
3. In addition, it is suggested that the NIDS questionnaire should attempt to identify some of the non-monetary benefits from self-employment. Specifically, if self-employment includes participation in retail, catering or food preparation, it is suggested that the NIDS questionnaire should try to gauge whether household members participate in direct off-take, e.g. by being able to consume food or other items that form part of the business stock.
4. In addition, NIDS should explore formulating a multiple choice question about the skills or training upon which people involved in self-employment or family-owned businesses rely.
5. Finally, it is suggested that NIDS considers formulating questions that collect information about other aspects of self-employment, e.g. how long the household has been involved in the activity, and whether it depends or makes use of any formal right to trade

#### **10.4 Qualitative Research**

Though some relatively visible and easily quantifiable aspects of self-employment can be explored by NIDS, a deeper understanding of these self-employment and how it contributes to income and other benefits requires in-depth qualitative investigation. There is already a significant research community looking at many of the structural and infrastructural issues relating to self-employment (e.g. issues relating to infrastructure, rights to trade, regulation, and the provision of microfinance). Other key aspects of self-employment, including informal training and the ‘social network’ issues highlighted above, are under-researched. It is therefore suggested that one fruitful direction of research, which will contain significant possibilities for cross-pollination with NIDS, will be to conduct an in-depth qualitative research project which is tightly focussed on these issues. These issues are set out in a separate concept note (PLAAS 2007)

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