

# Challenges to inclusive urban planning for the working poor - reflections from South Africa



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# Outline of Presentation

## Context

1. The notion of the formal and informal economies as distinct
2. Aspirations to be 'global' or 'world' cities
3. Exclusionary spatial planning and regulations
4. Privatisation of basic services
5. Policy inconsistency and co-ordination problems
6. Low levels of organisation among those working informally

## Conclusion



# Context



# The informal economy – what we know

- ◆ It is expanding.
- ◆ There is a close correlation between being poor and working informally.
- ◆ Women are often disproportionately represented.
- ◆ Cumulatively these activities contribute significantly to economic growth.
- ◆ Informal activities should not be seen as a separate sector but rather part of an entire economy that has formal and informal poles.

# Context for urban policies

Administrative decentralisation and the allocation of new tasks.

In the context of...

- Human and financial resource constraints
- Globalisation
- Rapid processes of rural-urban and foreign migration.



# Challenges to incorporating the informal economy into urban plans

# 1. Formal-informal economy linkages

Since the phrase 'informal sector' was first coined, there has been debate about the relationship between the formal and informal economies, with many scholars seeing the economies as distinct.

In South Africa in late 2003 President Mbeki introduced the idea of there being 'two economies' operating in South Africa side by side.

Since this statement the notion of the 'second economy' has become part of policy rhetoric at all levels of the state.

# 1. Formal-informal economy linkages

The perception of the formal and informal economies as separate and distinct is:

- Empirically inaccurate
- Narrows the scope of policy focus
- Discourages a focus on diversity of work

Understanding where informal workers fit into value chains offers the opportunity to make interventions in ways that both increase people's income and grows the economy.



## 2. Aspirations to be 'world' cities

Since the mid 1980's there has been a focus on 'world' / 'global' cities. Cities are arranged hierarchically in accordance to the economic power they command.

This notion of 'world' or 'global' cities has the effect of dropping most cities in the world from vision.

The position and functioning of cities in the world economy thus becomes the dominant factor in urban economic development planning.

This imposes 'substantial limitations on imagining or planning the futures of cities around the world' (Robinson, 2002).

# 3. Exclusionary city planning

Brown and Lloyd-Jones (2002) identify the need for 'a radical reappraisal' of planning approaches which result in spatial segregation between rich and poor and regulations that inhibit the economic activities of poor households.

Apartheid spatial and economic planning was an extreme case of this.

They suggest mixed income areas and polycentric cities. They argue that mixed land uses, a variety of plot sizes and mixed tenure have the greater potential to support a variety of livelihoods.

### **3. Exclusionary city planning**

Regulation is a preoccupation in the policy and literature.

Different worker group have different regulatory needs and concerns.

The challenge is not one of downgrading standards in the formal economy but, as the ILO suggests, upgrading standards in the informal economy.

To secure appropriate regulations Horn (2000) suggests 'voice regulation' referring to regulation by negotiation.

## 4. Privatisation of basic services

There is increasing pressure to privatise previous core functions of the local state.

There is a close correlation between being poor and working informally. The introduction of a profit motive excludes poorer urban residents.

Privatisation reduces the ability of the state to define an active social and economic agenda.



## 5. Policy inconsistency and co-ordination

Policy consistency and the co-ordination of different departments is a major challenge.

The informal economy is particularly dynamic demanding a high level of responsiveness from the state.

Policy processes assist in securing a shared vision across departments. Management techniques like area based management offer the opportunity to resolve co-ordination problems and facilitate responsiveness.

A more intractable issue for the local state is that of conflicting national government policy directives.

## 6. Low levels of organisation

The processes of incorporation and exclusion of those working in the informal economy is part of the everyday political struggle. The way in which informal workers are organised, articulate their concerns and wield power is thus critical.

In many contexts those in the informal economy are poorly organised.

The challenge, for the trade union movement among others, is to find ways to strengthen the organisation of informal workers.



# Conclusion

# Inclusive planning for the working poor

Entails a shift in mindset including:

- Understanding where informal workers fit into economic development processes
- A vision of cities that incorporates the informal economy as a valuable asset
- Inclusionary urban planning
- A state that plays an active role
- Innovative solutions to ensure policy coherence and co-ordination
- Workers that are organised enough to help shape the development trajectories of cities.





Thank you

# The SA'an Informal Economy

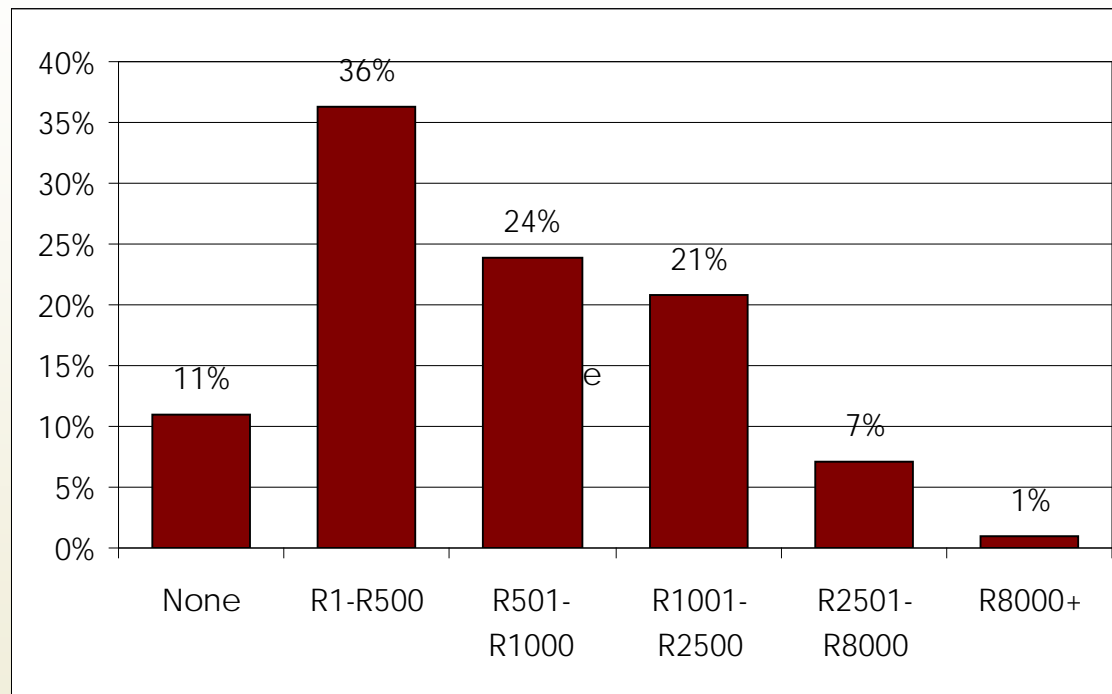
**Expansion:** The informal economy is one of the few segments of the labour force in the post apartheid period where the number of workers continues to increase.

**Size:** According to the latest available statistics (September 2005) the informal economy was 27.1% of the South African Labour Force. This was constituted by 2 462 000 people working in informal enterprises and 859 000 domestic workers.

**Gender and race composition:** In comparison to the formal economy, the informal economy is disproportionately constituted by women and black South Africans.

# The SA's Informal Economy

**Poverty:** There is a close correlation between being poor and working informally.



**Table 1: Reported Incomes: Labour Force Survey, Sept 2005**

# The SA'an Informal Economy

**Contribution to GDP:** Informal activities are estimated to contribute between 8 and 12% to gross domestic product.

**Heterogeneity:**

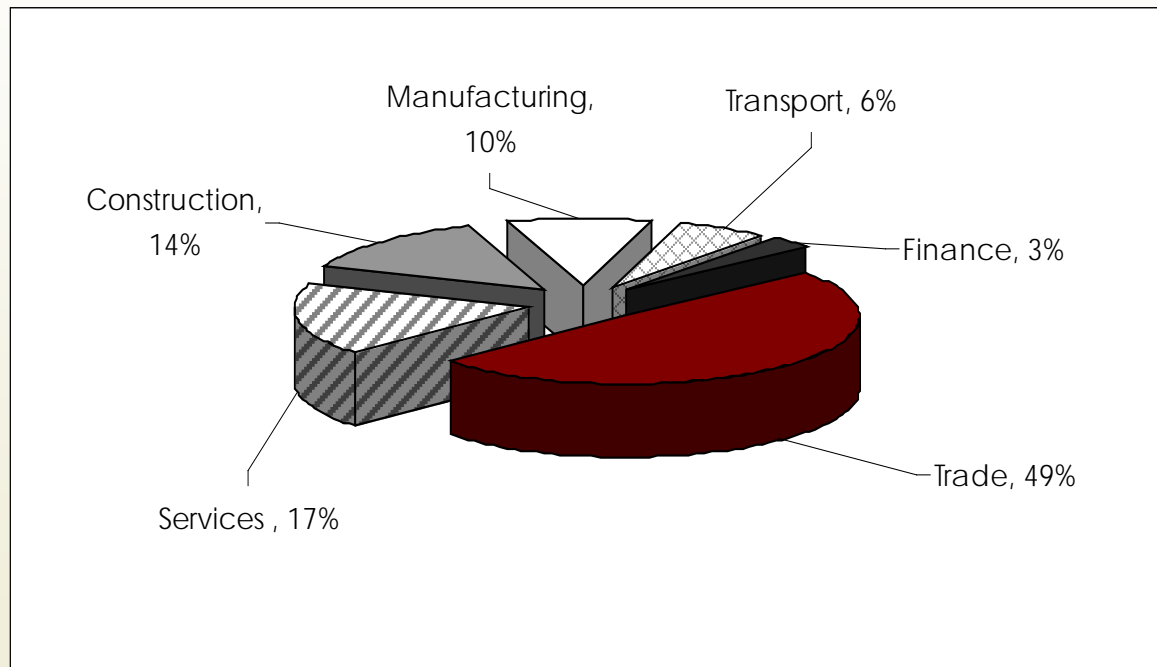


Table 2: Informal Enterprises by Types of Activities, Labour Force Survey, Sept 2005



# The SA's Informal Economy

**Migration:** Given political conflicts in the region, as well as South Africa's relative economic strength, there are significant numbers of migrants from other African countries living and working in South Africa. Although there is no reliable national level data, research indicates that foreigners, particularly from other African countries, are active in the informal economy in South Africa.