

**The Informal Economy in South Africa: Issues, Debates and Policies**

**Reflections after an Exposure Dialogue Programme  
with Informal Workers in Durban, South Africa,  
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**Edited by Imraan Valodia<sup>1</sup>  
School of Development Studies  
University of KwaZulu-Natal  
valodia@ukzn.ac.za**

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## **Contributors**

**Namrata Bali** is General Secretary of SEWA (Self Employed Women's Association), a registered Trade Union of informal sector women workers with a membership of 7 000 000 women in India. She was also the Secretary of SEWA from 1999 to 2001. Her experience in SEWA consists of 18 years of organizing urban and rural women into Handicraft Cooperatives. For the last 13 years her main responsibility has been as the Director of the SEWA Academy, the main training center of SEWA, which consists of training research and communications. Her main specialization is in textile designing and studies in labor and cooperatives. She is also a member of the core team of SEWA and works as the editor of a monthly periodical for young girls. She is a trainer as well as a director of various documentaries made by Video SEWA. She is also on the board of IFWEA and One World South Asia (OWSA). She has presented various papers on different working class women issue.

**Françoise Carré** is the Research Director for the Center for Social Policy in the University of Massachusetts Boston's John W. McCormack Graduate School of Policy Studies. She specialises in labour and comparative employment policy. Recent works include: "Strength in networks: Employment rights, organisations and the problem of co-ordination," with Charles Heckscher, in *British Journal of Industrial Relations* (2006); "Nonstandard work arrangements in France and the United States" in S. Houseman and M. Osawa, eds. *Non-standard Work Arrangements in Japan, Europe, and the United States* (Upjohn Institute for Employment Research, 2003); and, with Pamela Joshi, "Looking for leverage in a fluid world: Innovative responses to temporary and contract work" in F. Carré, M. A. Ferber, L. Golden, and S. Herzenberg, eds., *Nonstandard Work: The Nature and Challenges of Changing Employment Arrangements* (IRRA/Cornell University Press, 2000).

**Nancy Chau** is an associate professor of Applied Economics and Management at Cornell University. Her areas of expertise are international trade, development economics and regional economics. She is associate editor and editorial board member of a number of academic journals including *American Journal of Agricultural Economics*, and *Agricultural Economics*. Her publications have appeared in top area journals of economics. In 2007, she was awarded the Alexander von Humboldt Research Fellowship, and co-edited a volume entitled *New Frontiers in Environmental and Social Labeling* published by Physica Verlag.

**Martha Chen** is a Lecturer in Public Policy at the Kennedy School of Government and Coordinator of the global research-policy network, Women in Informal Employment: Globalizing and Organizing (WIEGO). An experienced development practitioner and scholar, her areas of specialisation are employment, gender, and poverty. Before joining Harvard in 1987, she had two decades of resident experience in Bangladesh working with BRAC (now the world's largest non-governmental organisation), and in India where she served as field representative of Oxfam America for India and Bangladesh. Dr. Chen received a Ph.D. in South Asia Regional Studies from the University of Pennsylvania.

**Donna L. Doane** has been working as the Subregional Research Coordinator for social protection projects for HomeNet South East Asia, a network of informal workers – primarily homebased women workers – in four South East Asian countries (Indonesia, Lao PDR, the Philippines and Thailand), with partners in Cambodia, Viet Nam and Timor-Leste. She received her Ph.D in Economics from Yale University. She has taught and carried out research in universities and research institutes in the US, Japan, India, Thailand, and the Philippines. She currently works with Gender and Development Studies, School of Environment, Resources and Development, at the Asian Institute of Technology (AIT) in Thailand, and has been working with the Department of Women and Development Studies, College of Social Work and Community Development, University of the Philippines. She lives in Bangkok, Thailand.

**Gary Fields** is Professor of Labor Economics and Economic Development at Cornell University and a research fellow at IZA (Germany). His major research is on income mobility and labor markets in developing countries. He is currently serving as an advisor to the World Bank, the United Nations Development Program, and the Asian Development Bank. Gary holds B.A., M.A., and Ph.D. degrees in economics from the University of Michigan.

**Ravi Kanbur** is T.H. Lee Professor of World Affairs at Cornell University, having also taught at the Universities of Oxford, Cambridge, Essex, Warwick, Princeton and Columbia. He has previously served as the World Bank's Chief Economist for Africa, and as Principal Adviser to the Chief Economist of the World Bank. He has published in the leading professional journals in economics, and is particularly interested in bridging the worlds of policy making and rigorous technical analysis.

**Francie Lund** is associate professor (part-time) at the School of Development Studies, University of KwaZulu-Natal, where she specialises in social policy, and part-time for WIEGO, directing this network's international Social Protection Programme. Trained as a sociologist and social worker, she practised as a grassroots organiser in the fields of early childhood development, and in urban infrastructure, with a special interest in participatory research methods as an organising tool. A longstanding research interest has been the impact of South Africa's pensions and grants in mitigating poverty and redressing inequality. She is engaged locally and globally in research and policy advocacy around informal workers, especially regarding local government intervention, and around the provision of social security.

**Nonpumelelo Nzimande** is Research Fellow in the School of Development Studies, University of KwaZulu-Natal. She is a demographer whose research interests include the demography of Sub-Saharan Africa; mortality and epidemiology; the determinants and consequences of early child bearing, and family demography. She is a member of the Population Association of Southern Africa and serves on its scientific committee.

**Caroline Skinner** is a Research Fellow in the School of Development Studies, University of KwaZulu-Natal. Since joining the School in 1998, Caroline's work has interrogated the nature of the informal economy in South Africa with a focus on informing more appropriate policy responses. Her research has used both quantitative and qualitative techniques. She has been involved in policy and advocacy work at a

local, provincial, national and international level. Much of her work has been done under the auspices of WIEGO.

**Jeemol Unni** is a Professor of Economics at the Gujarat Institute of Development Research, Ahmedabad. She holds a Ph.D. in Economics. She has carried out extensive research on issues concerning rural and urban labour markets in developing countries. Her special focus in this area is on the informalisation of labour and production systems and the gender implications of this process. Her research addresses issues of social protection to informal workers including both social and economic securities. She has also worked in the area of education, addressing issues of differential returns to education across gender, economic activity, wage and self-employment, and ethnic groups. She is a member of WIEGO and has worked as a consultant to the World Bank, International Labour Organisation, UNESCAP, among others. She is a member of the Editorial Board of the *Indian Journal of Labour Economics*, a *Journal of the Indian Society of Labour Economics*.

**Imraan Valodia** is Senior Research Fellow in the School of Development Studies, University of KwaZulu-Natal. His research interests include employment in the informal economy, gender and economics, and industrial development. He is a member of WIEGO, the International Working Group on Gender and Macroeconomics, and has worked collaboratively with a number of government departments and research institutions in South Africa and internationally.

## **Introduction**

The basic objective of the Durban Cornell-SEWA-WIEGO Exposure Dialogue Programme (EDP) was to continue and develop further a dialogue between labour economists, SEWA activists, and WIEGO researchers which began in 2003 with an EDP in Ahmedabad. The dialogue has been around key assumptions of neo-classical economics – and neo-liberal economic policies - which “trouble” heterodox economists, ground-level activists and researchers working on issues of employment and labour.

Following the successful EDP programme and discussions in Ahmedabad in January 2004<sup>2</sup>, and the second and third dialogues, respectively, in Boston in September 2004 and Ithaca in November 2006, the EDP in South Africa was planned to deepen the dialogue by drawing on the experiences of informal workers in another context, where the history of economic development, the economic reforms and, in particular informal employment patterns, differs substantially from that in India. The South African experience is able to enrich the discussion in a number of ways.

First, the (relatively small) informal economy in South Africa co-exists with extremely high levels of open unemployment. Second, labour legislation in South Africa is considered to be very progressive and enlightened. Third, by developing country standards, South Africa has a fairly comprehensive social security system which effectively reaches the poor (though there are no specific measures for the high numbers of unemployed). Fourth, since 1994 the ANC government has attempted rapidly to integrate the economy into the global economy through liberalisation of trade, and more broadly, of the economy. In this context, debates between neo-classical economists and others of more heterodox views is particularly sharp. Neo-classical economists often argue that the high levels of unemployment and the relatively small informal economy are a result of labour legislation and the social security system while others argue strongly for the retention of these measures to protect workers and the poor and marginalised in South African society. Heterodox economists view the rise in unemployment as a result of the liberalisation process, while neo-classical economists call for more rapid liberalisation to generate new employment opportunities. The South African context therefore offers a unique opportunity to deepen the EDP process, and hopefully also contribute to the policy debate in South Africa.

An additional issue that characterises the informal economy in South Africa is the high level of participation of foreign migrants. Attracted by the possibility of earning higher incomes in South Africa but, more often, escaping political strife in their home countries, large numbers of foreign migrants have entered the informal economy in South Africa.

The EDP was designed for participants to explore the real lived experiences of informal workers in the Durban area of South Africa. The EDP was held over the

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<sup>2</sup> The proceedings and reflections from the Ahmedabad EDP have been published in Chen et al, 2005. At the Ahmedabad meetings, member-based organisations of the poor, as mediators between the poor and the wider policy environment, was a topic identified as an important area for further research. The Cornell-SEWA-WIEGO EDP team organised an international conference on this topic in January 2005. The edited volume of conference papers is available in Chen et al 2007.

period 18 -24 March 2007. The “exposure” element was held from 19-21 March, with a ‘dialogue’ over 21 and 22 March. On 23 March participants walked through the Warwick Junction area of the city of Durban<sup>3</sup> and discussed their experiences with Richard Dobson, ex-project manager of the Warwick Junction area. On 24 March, participants met senior government officials and policymakers from a range of government departments for a policy dialogue on the informal economy in South Africa.

Each participant was asked to write two reflections – a personal reflection and a technical reflection. These reflections are presented here. The pieces have only been lightly edited and the names of the hosts have been removed so that they cannot easily be identified. Participant’s reflections mirror the issues and debates that occurred and were discussed over the duration of the EDP.

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<sup>3</sup> See Caroline Skinner’s work for an overview of the innovation in the Warwick Junction area.

Host 1 : Dressmaker, St Wendolins  
Facilitated by Thabsile Sonqishe  
Participants: Jeemol Unni and Nompuzo Nzimande



## **1.1 Personal reflections**

### **a. Jeemol Unni**

Visiting South Africa for the first time in 2004 was a life-changing experience. The second was equally revealing with a visit to development areas in Pietermaritzburg. This third visit to South Africa was a dream come true, the experience of actually living in a black development township near Pinetown, Durban in the household of Host 1.

A one and a half hour ride by bus took us to the home of Host 1, in Savannah Park, a black township. The settlement itself was picturesque, set on undulating terrain. While electricity, water and sanitation infrastructure were in place, there were no roads to the independent houses. We literally slid down the grassy, sandy path to reach the house. The next morning we again slid down the path towards a little stream and then clambered up the hill to reach the Bambanani Women's Forum or the sewing co-operative run by Host 1 and other members. Host 1, many years our senior, was racing ahead while we huffed and puffed behind her.

It was a female-headed all-woman household consisting of her daughter, two grand children and one distant niece. Our team was also an all women team consisting of Thabsile Sonqishe, the Facilitator, a Fashion designer by profession, and Nompuzo Nzimande, a participant like me and Lecturer in Demography at the School of Development Studies in the University of Kwazulu-Natal, Durban. It was an amazingly safe neighbourhood, which was evident immediately on arrival since all doors and windows were open and only one grand-daughter was in the house, just returned from school.

Host 1's working life was a case of a shift from the formal sector to the informal sector as a self-employed worker, an employee who lost her job with the downsizing of large textile mills. She worked for more than twenty-five years in two large textile mills mainly as a trainer, training the workers in the use of machines and also in charge of health and safety in the factory. In 1997 she lost her job.

She formed the Bambanani Women's Forum in 1997 and joined the Samkhili Sewing club and women's association where they were doing crafts and hiring out tents. The local Councillor gave them ten sewing machines and they started sewing work in the premises of the clinic. In 1999 the enterprise moved to the St. Wendolin's Community Hall and also started building their own building for the women's forum. The members of the Forum received training in sewing and business skills from the South African Clothing Worker's Union at the Workers' College. In the initial years the forum also received funding from a German funding agency for three years. They were able to buy better industrial machines and computers through this funding. The Forum is now registered as a co-operative and has six members.

While Host 1 runs a self-employed sewing enterprise, the unit has not yet started registering profits and the incomes are not sufficient to support the family. The household in fact survives on the pension funds she receives. Her daughter also holds a formal sector job as a teacher in the government school teaching Maths and Science to high school children. Thus there are multiple sources of income and the self-

employed enterprise itself is in its infancy even after nearly 10 years and contributes little to the household so far.

We interviewed all but one of the members of the co-operative and the story was the same in most of the households. Most of the households were receiving at least one pension, child support grant or disability grant which was used to support the household in the face of uncertain income from the self-employed unit. All the households also had multiple sources of income. In fact the co-operative started with 24 members, but is left with only 6 members now, because most of the women were not able to sustain their families on such uncertain income and there was pressure from the families to find other ways of earning an income. In fact one of the demands of the women was that they would prefer to get a regular income rather than a share in uncertain profits of the enterprise. The enterprise was producing uniforms for two schools and a couple of crèches. We shall discuss the economic problem facing the self-employed enterprise in the technical notes.

We were not allowed to work on the school uniforms since that was skilled work and the members were not convinced of our skills. Our facilitator was a fashion designer and she had brought with her the paper cuttings of an apron that she had designed herself. Fortunately my cutting and sewing skills were okay, a skill acquired from my grandmother and mother, and I was able to help sew the apron on their industrial machine, which was then presented to me. My co-EDP participant ran a few miles in the opposite direction when she was asked to handle the machine! I figured out that if Economics did not provide me a livelihood, I could be a self-employed tailor! However, there is no free entry into even the informal sector market as we discovered in South Africa (more on this in the technical notes).

Host 1's household was well educated and was effectively using education, particularly in the second generation, as a way out of poverty. While she herself had studied only till Standard VI, her daughter was a graduate in Science and Technology which enabled her to get the formal sector job as a school teacher. However, teaching in an African dominated school she complained about how her students were least interested in studying and did rather badly in school. Her niece was studying for her degree in Human Resource Management, one grand daughter was doing a degree in Housing Engineering and the other was in VIII grade and wanted to be a Chartered Accountant. Due to the poor quality of education in the local school the grand-daughter went to the neighbouring Indian school where apparently the quality of education and students were better. All the children were well focused on their fields of study and we observed that at least one member of the household was studying during various hours of the day and night, even at 2.00 a.m.

One could easily see that Host 1 was a leader of sorts and a number of women neighbours dropped in to meet us. It was clear that the household was used to visitors of all sorts from the behaviour of the daughter and grand children who were quite comfortable having us in the house, were happy to engage us in conversation and help us to adjust to the environment of the household and community around. That the next generation of leaders was in preparation became obvious when on Sunday morning, the daughter produced some survey questionnaires and pamphlets of the African National Congress and said she was going out to engage in the survey work as she saw it as a method of getting to know the community around.

In our conversation with Imraan Valodia and Caroline Skinner a few days later we discovered that the members of parliament (MP) were not directly elected by the community. The MPs were not elected by any geographical constituency so that there was no direct contact of the Party leadership with the community. This had resulted in a sort of alienation of the ANC from its supporters. It appeared what Host 1's daughter was engaged in was one of the attempts of the ANC to reconnect with its ordinary members and supporters and also get to know what they saw as the main problems (I gained this information from a quick look at the questionnaire).

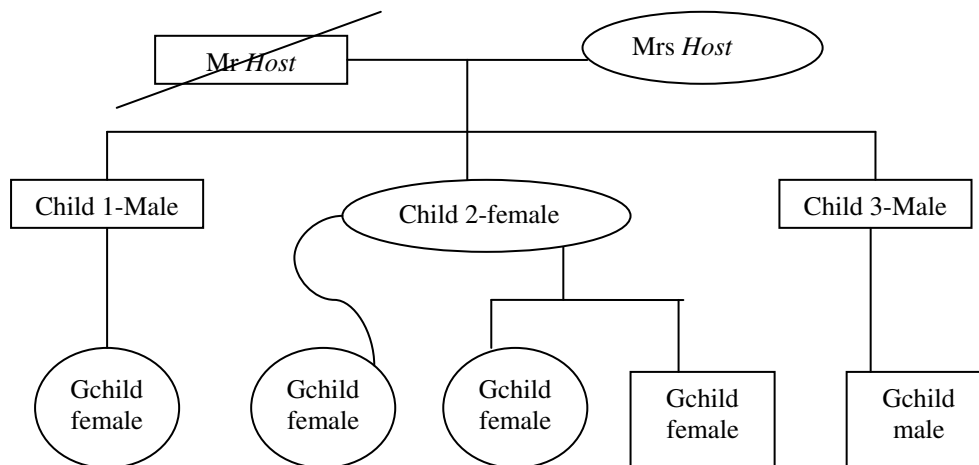
Overall this EDP provided insights into many aspects of the economy and polity of South Africa through the interactions with this host family. Two things that the South African government seems to have done well were to provide social security and housing with basic infrastructure almost universally. What it has not been able to do is to provide sufficient employment opportunities, or support traditional skills of the people and allow them to use it to create employment and incomes for themselves. I sincerely thank Host 1 and her family for so happily and warmly welcoming us into her household.

## 1.2 Technical reflections

### a. Nompumelelo Nzimande

#### Host 1's family life

We left the hotel on a taxi going to a semi-urban area called Savannah Park in St Wendolins Mission, where Host 1's household is located. She lives with her daughter, and three grand children. The structure of Host 1's household as indicated below consist of three generations of females, her family however has two non resident males.



In circles are those family members that reside in her household. Host 1's husband passed away in 2006, and she is still wearing black clothing that symbolise that she is still in a period of mourning. Her two sons are non-resident members, one is in Richards Bay (North of KwaZulu-Natal) and the other in Hammarsdale (a township in Durban). Both sons are employed as drivers. She lives with her daughter who is a school teacher; she is also enrolled at the University part time to further her studies. She (her daughter) has two children, both of which are at University. She is fostering a child (curved line) who is also attending a tertiary institution in the city. In total, Host 1's household has 5 members, all females from three generations. She owns a sizable four roomed house.

All her granddaughters are attending educational institutions, the youngest is at a local secondary school. Education is an important mechanism of curbing intergenerational transmission of poverty in households. Host 1's household shows positive future prospects based on dedication shown by her grandchildren. Education is valued in her household, and her grand children understand the future benefits of good performance in school. There were school work activities until midnight on both nights we spent at her home.

Host 1 is earning a government pension. The household is sustained by this pension and her daughter's income as a school teacher. She also receives some money from her sons. The actual amount of this assistance was not specified, and could not be ascertained from her. Her household seem to be well maintained and warm. Her grandchildren had great respect for her.

### **The area**

The area where Host 1 lives and work is about an hour's bus drive from Durban city centre. The neighbourhood is a development area, with 'one room' government housing. Community members have extended these buildings to bigger houses, as Host 1 has done in with her house. The landscape is hilly with gravel roads, where only the main roads are tarred. The infrastructure in the area is fairly developed. The houses have electricity and internal piped water. However, planning of the neighbourhood is poor. For instance, there is no formal road leading to Host 1's house. To reach the house we had to walk down slippery hill from the main road. Poor town planning in the area meant that even though the building where Host 1's sewing project is within walking distance, the walk includes passing rivers and climbing hills. Host 1 has been taking this walk for years and carries a stick to help her through. However this was challenging to the team members such that we hired a car to take us back to her home after work on our second day. In fact one team member slid and fell (no injuries sustained) during the walk up from the river. This presents a challenge for her to get to work on a daily basis. She indicates that she often could not get to work after heavy rains. The rivers fill up and the hills are too slippery to make it through. Since all members of the project reside within the same community, this could undoubtedly present a challenge to productivity in the project should the business expand its current level.

### **Bambanani Women's Forum**

The forum has three major activities, dress making; tent hiring and craft making. Dress making is the main activity intended to bring largest profit into their business. This is the activity that brought all members together, with the objective of developing a viable small-medium business that would provide dress making services to meet local needs and that of neighbouring places. Host 1 was one of the initiators of the forum, which currently has six members.

The forum was started in 1997. There have been varying numbers of women in the forum at different stages of its development. Retentions are one of the key challenges that the forum faces. Due to inconsistency in salaries, it is difficult to retain members even in the presence of high formal unemployment in the area. Individuals are interested in ventures that earn them stable incomes. Currently Host 1 is also a treasurer of the forum and ensures that the profits, when earned, are distributed among members. Unfortunately the forum has not earned enough profits to sustain stable incomes since its development. In the previous year, members received two salaries of R600 each the entire year. Their interim arrangement is that every six months, they get salaries depending on how much profit they have accumulated. Discussing with the members show that lack of profits to share is the main source of frustration for the members. Some indicated that they are increasingly having a difficult time justifying continued work with the forum to their family members. One member mentioned that

“how can you justify leaving the house every morning when you are earning nothing at the end of each month”.

#### *Dress making*

This is the main project that the women are engaged in. They make school uniforms for three schools in St Wendolins. During the year, they do “small jobs”, which consists of orders from the community that range from hemming clothing to making dresses for special occasions. Although they have the expertise to make other clothing products, their identified market is currently focused on schools.

The strength of competition in production and sales of school uniforms has been a stumbling block to the expansion of their business to other schools. There already exists a formal company that sells school uniforms to schools in the greater Durban municipality. This company is the competitor for the women’s forum in areas where they wish to expand their business. Penetrating the market is hindered by additional services provided by this company to schools at no additional cost to secure their business. Members of the forum indicated that the company provide services such as financing the maintenance of yards in schools that encourage their students to buy uniforms from them. There is lack of information and knowledge on how to better market their school uniforms against this company. They do not know how much their pricing differs from that of their competitor.

#### *The tent*

They own a tent for renting to the community during functions at a cost. They bought two tents at R10 000 each. They rent them out at R350. The cost of keeping the tent includes, cleaning it, and hiring a driver who will transport it to individuals who have rented it. The members could not provide the actual cost of maintaining the tent and the profit, but they pointed out that the expenditure towards maintaining the tent is higher than the profit they make from it. In this venture, this shows lack of knowledge on how to manage this business such that it earns them some profit.

The success of their forum hinges on the availability of a market for their products. This is the biggest challenge they are facing. The tent is running at a loss, as they indicated. After paying the driver and maintenance of the tent, they make minimal profit. Their main business of dressmaking has not expanded in recent past because of inability to engage with competition in the market. These women did not have knowledge of how to compete and market their products in other schools. They also did not have the expertise to venture into other businesses that may purchase their services or apply for government tenders that are advertised locally. They own enough equipment to provide larger services such as uniforms and linen for hospitals and other institutions, however they lack expertise to market themselves.

### **The importance of social security**

All members of the forum indicated that their households receive one form of government offered social assistance. The majority of this assistance was in the form of government social pensions. This is a means-tested, non-contributory pension payable to men aged 60 and above and to women aged 65 and over. Four members of the forum are beyond age 65 and receive a pension, two of which indicated that the social pension is the only stable source of income in their households. One Forum

member has a household member who receives a disability grant. Evidence from South African data sources shows that cash transfers have some positive effect on the wellbeing of poorer households, and have improved health of the elderly. Although intended to benefit individuals in their old age, evidence suggests that pension income constitutes the majority of household income in poor households and goes a long way in attenuating poverty in these households<sup>4</sup>. Indeed, members of the Bambanani Women's Forum indicated that they use pension money to purchase food, clothing and payment of school fees for grandchildren. They link this directly to high levels of male unemployment in the area. The majority of women indicated that adult male members of their households are unemployed, and this leaves the burden of household provision on women.

### **Their fears**

Maintaining wellbeing for their households is primary source of fear for women in the forum. Currently the availability of government assistance has gone a long way in maintaining some security in their households, however with lack of additional income to substitute this income their households are living at subsistence level. Sustainability and growth of the sewing project would be a viable source of income and security for the members. Despite their successful efforts in ensuring that they have enough equipment to carry out their business, lack of business and marketing management skills is a big impediment to the expansion of their business.

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<sup>4</sup> Burns J., Keswell M., and Leibbrandt M., 2005, "Social assistance, gender, and the aged in South Africa", *Feminist Ecomonist* 11(2): 103-115

## **b. Jeemol Unni**

### **Technical Reflection on the South African Economy**

#### **High unemployment rates and small informal economy: a contradiction??**

One of the big policy questions in South Africa appears to be: Why is the Unemployment Rate so high? Many have been questioning the process of collection of statistics in South Africa. We had a big discussion on this in the EDP, including looking at the actual questions canvassed in the Labour Force Survey. Some of the Technical Notes written on the EDP address this issue and there is a general understanding that the South African workers consider only formal wage employment as work and report themselves unemployed if they do not have such jobs. All these facts must be partly true and adding to the large unemployment rate.

What puzzled me since my first visit to South Africa was not so much the high unemployment rate, but the fact that it went along with a small informal economy. To my Indian mind this appeared a contradiction. In India we have low open unemployment because we think the poor cannot afford to remain unemployed.

How could all these people in South Africa (SA) remain unemployed and not engage themselves in self-employed economic activities, such as manufacturing something for sale, or just buying and selling, or providing services including private tuition? Perhaps these people can remain unemployed because the government provides them unemployment benefits?

During the EDP and our Policy Dialogue in Pretoria, I was given the answer to the first question on low informal economic activity on two counts: the barriers to entry into the informal economy in SA and the lack of skills among the people acting as a 'discouraged worker effect'. I address these two issues briefly below. The issue of whether unemployment benefits helped to raise unemployment rates is addressed later.

#### **Barriers to entry in the informal economy**

The early Western conception of the informal sector was one of a sector where there was no barrier to entry. Perhaps I should say that this conception that anyone can set up business anywhere in the informal sector is still part of the theoretical conception of the informal economy. However, anyone living in the developing world can easily see that there can never be 'free entry', even for street vendors. There are N numbers of costs to entry and the WIEGO has now developed the idea of "hidden costs" to working in the informal economy. The same must be true of the informal sector in SA as many of our Technical Notes show.

Something that struck my Indian mind as strange was the idea, first put forth by Imraan Valodia at the EDP about the extent to which the formal sector had penetrated and captured the markets in South Africa, for even the simplest of products like grain. Here again Marty Chen's Notes point out this in the remote rural areas she visited.



In fact, before we left for the homes of hosts, my host lady Host 1 presented the case of manufacture of school uniforms in SA and the market power of the formal sector, a few large companies, that had captured the markets for this simple product.

### **“Discouraged worker effect”**

One explanation I could think of for the lack of spontaneous informal activity in the face of high unemployment was related to the legacy of the apartheid regime. By segregating the community by space and race over long periods of time and by setting up restriction on what economic activity who could do where the society appears to have destroyed any existing forms of subsistence activities including subsistence agriculture, manufacturing activities, trade that could have supplied locally produced goods/services to the local population. The segregation across space by race led to more economically homogeneous groups of people living together so that even if something was actually produced there was no surplus income available in the community to purchase this product or service. That is the coefficient of variation of income within the local community was very low. The result of all this was what could be termed a “discouraged worker effect” where no one bothers to create work (self-employment) for themselves for two reasons:

- There are very few skills left with the people, most of the traditional skills having been destroyed during the apartheid years. (I still find it difficult to believe that people do not have skills.)
- If there are any enterprising people left the returns to such economic activity are considered too poor for anyone to venture into them.

### **Social security versus unemployment benefits**

A possible explanation for the high unemployment rate is the standard one that perhaps the government provides an “unemployment allowance” that reduces the incentive for people to try to undertake some economic activity. While the Government of SA does not provide any unemployment or social security benefits for the working age population it has a rather good social security system in place for the under-privileged, such as old age pension, child support grant and disability grant. During our EDP we noted that most of the households were receiving one or other of these grants and it was being used as a source of income to support the household (see personal notes). In fact this social security cover for the under-privileged was one of the successful programmes of the South African government.

So far I have discussed the issue of why the informal economy does not seem to grow in South Africa. Given the high unemployment rate, unless the formal economy can absorb the growing workforce, the informal economy has to be supported by the government of SA to tackle the problem. I state below a few **policy related issues** that arose during the EDP regarding support to informal enterprises.

### **Informal enterprises and demand for the products**

As highlighted above the demand for products seems to have been captured completely by the large formal sector enterprises.

*Government tenders:* The government has a system of requesting for tenders for the products it wishes to purchase, for example uniforms for staff of the government hospitals. Obviously the market power and information networks of the large formal enterprises work overtime to access such information while the informal enterprises are left far behind. Even within the Black Empowerment Policy it appears that the larger black operated enterprises are able to access the systems again leaving the smaller units behind.

*Access to information through a single window system:* Smaller informal enterprises could be provided with a single window system for access to information on tenders and help in the procurement and inter-face with the government.

*Government procurement through 'quotas':* Besides help to access tenders a system of government procurements through 'quotas' for products the informal enterprises could be introduced.

### **Product pricing and subsidy**

The informal enterprises need to be provided a competitive environment or level playing field. We observed during the EDP that the small co-operative that manufactured uniforms was not able to have a competitive price because of the various accessories/inputs that had to be purchased from the market. Also the small size of orders obtained did not allow them to bulk purchase the required inputs, so that the input prices remained very high. If such units are to survive in the initial years some form of subsidy would be required so that their products could be priced competitively in the market.

### **Organisations of informal enterprises: federations of co-operatives**

Finally if the small informal enterprises are to gain market power to compete with the large formal enterprises they need to form cooperatives or other producer groups to bring them together as Federations. Such Federations can bulk purchase the inputs/accessories required for say making uniforms at lower prices and sell to the informal enterprises to reduce prices of their products. Federations increase the bargaining power of the informal enterprises and they can negotiate better with buyers, government or other authorities.

*Host 2: Inyanga* who sells *muthi* (traditional medicines) at the market  
Facilitated by Thandiwe Xulu  
Participants: Nancy Chau and Caroline Skinner

## **2.1 Personal Reflections**

### **a. Nancy Chau**

To begin with, there were three reasons why I came back safe and sound, and writing what I am writing now. First, sincere thanks to Host 2, who immediately took Caroline Skinner and me in as if we were her daughters. In fact, I think we got special treatment because we slept in the beds of the kids while they slept on the floor both nights. Consequently, we slept well, and at least for me, felt ever more refreshed and energised, thanks to the gracious hospitality and care extended to us. Second, over the course of the experience, I began to realise that some things do not seem “right”. Because of a period of heavy rain, the toilet in Host 2's home was washed away. Curiously, a hired toilet stood but 20 feet away. Next, there are the bed sheets. They are all brand new, washed, starched and ironed. Just as I was already feeling badly about all that Host 2 must have gone through for us, I was made to feel even worse when Caroline Skinner told me that this was all planned, thanks to Imraan Valodia and Thandiwe. To them, I say thank you once again, and I stand in admiration of the care in planning that they have executed. Finally, I had a small run-in with a pickpocket in the streets of Durban. While something like this has happened to me before in other countries as well, Caroline Skinner showed how to handle this in the most graceful way. A slap in the hand did it, and rest assured I will not forget this.

There was magic in the air throughout. Host 2 is a Zulu herbalist and owns a store in the *muthi* market of Warwick Junction. If you want to know how to regain a runaway boyfriend or husband, I know now where you should go! Her inspiration to begin practicing the craft of traditional herbal medicine came from a dream, in which her ancestors instructed her on how and what to do every night. Now, her store is located at a prime spot in the *muthi* market (and I would say blessed with plenty of good Feng Shui as well). During our stay with her, we started the day at the store, saw customers coming in and out, learned of really interesting monthly business cycle effects in *muthi* trade, saw rotating savings and credit associations in action, and finally returned to Host 2's newly built home, watched the news on television, listened to church CD's, and enjoyed the beautiful meals that Host 2 prepared for us. I was also not expecting to see electricity and running water supply in every home in the neighborhood, a brand new local library in which so many children were reading, studying, and otherwise generally basking in the atmosphere of learning created there. There were also well-paved roads to town quite near Host 2's home, where a taxi would drive by every ten minutes or so.

But her story did not start this way. Host 2 was born in Pondoland, and married into the K family in Durban. Host 2 saw the passing of her husband, and endured the losses of both of her children to diseases. She now cares for her five grandchildren (S, S., H., K. and B.), a daughter-in-law S., as well as K., the mother of H. and K., in a society where the traditional ways of saving for old-age no longer applies because of the spread of HIV/AIDS. She began as a Zulu herbalist not from the comfort of a sheltered store complete with electricity and running water, but as a street vendor alongside Russell Street. She witnessed growing numbers of street vendors, faced legal restrictions to sell herbs on the streets, and became one of the founding members of Self-Employed Women's Union (SEWU), who negotiated with the city council about the building of the present day *muthi* market.

She spoke of a number of pressing issues for her, and her fellow herbalists. These include the lack of access to business loans, and difficulties with establishing a savings account. She spoke of the importance and the cost of education for all of her grandchildren, and for S., who is a brilliant hair-dresser even without formal training. She also spoke of the lack of access to health-care. The scar on her ankle and the difficulty with which she walks were still visible months since a car accident occurred near her home, after which the driver simply sped away. She spoke fondly of SEWU, the vital role of the organisation both for her and for other home-based and informal sector workers in Durban, and would like to see the organisation back in operation.

It was a tremendous fortune to have participated in the Durban EDP. On behalf of both the economist and the friend, thank you.

## b. Caroline Skinner

Host 2 is a traditional medicine trader working in the Warwick Junction Herb Market. Warwick Junction lies on the edge of Durban's inner city. The Junction is a transport interchange and has thus always been a natural market for trading. Under apartheid street trading was harshly managed but despite this the area has long been a place for the dispensing of traditional medicine or *muthi*. Host 2 has been trading in the area since 1982. She has thus seen the changes from an era of apartheid repression, where she and other traders frequently had to run from the police, to a period now where traders have been integrated into urban plans.

There is a mystery and magnetism about *muthi*. Traditional medicine techniques have been practiced for centuries and *muthi* is still used extensively by black South Africans. The pharmaceutical industry in recent times has paid some attention to these techniques as many of the products tested, have been proved to have unique healing attributes. Knowledge is passed down from generation to generation. Those involved in *muthi* are called by their ancestors to become traditional healers or *inyanga*'s. The training process is often quite rigorous. Through dreams the ancestors identify who you should be trained by. Host 2 described her many vivid dreams that guided her in the process of her training. One of the striking features of the two day experience was how incredibly skilled this work is. She has over 150 different, largely plant, but also animal products in her 3m by 3m stall. She knows all the products by their multiple names but also how to combine them and to what effect.

Most of the working hours spent with Host 2 were at her stall. On the second day a trainee *inyanga* came with his teacher to buy a long list of herbs. He was scantily clad with most of his body covered in white clay. He had animal skin bracelets and frequently breathed a fine grained black charcoal up his nose. He sat at the feet of his imposing teacher. She was adorned with white and red beads and a brightly coloured headdress. Since the establishment of the market more and more traders wear traditional dress. As I sat there I was struck by the significance of this activity being incorporated into urban plans. *Muthi* dispensing, so emblematic of an aspect of Zulu culture, was being acknowledged and catered for by the establishment of a market located so near the inner city. Although there are increasing problems with the way the city council is dealing with street traders, this market remains symbolic of what became possible in the post-apartheid period.

Host 2 lives in a township about 40 kilometres south of the city centre – KwaMakhutha. To get between here and the Warwick Junction Host 2 has to take two, often rickety, old taxis. This costs her R22 a day and depending on traffic, over an hour door to door. She often needs a family member – either her daughter-in-law or her 15 year old grandson - to help at the stall. This is particularly so if Host 2 has to attend meetings – of which, there are many. If they come to assist, travel costs obviously double. Host 2's friend and fellow market trader, MaK, lives an even greater distance away. She has three children and a sick husband but simply cannot afford to go home every night. Thus most nights MaK stays in the market. Although there are now council security guards in the market and other traders who stay there (so there are strength in numbers), this rough sleeping makes her very vulnerable. These are the day to day challenges that the persistence of apartheid spatial planning – where the poorest live furthest away from economic opportunities.

Host 2 is currently in the process of building a new house. For many years she has lived in prefabricated housing that was established by the state to house families affected by the Inkatha – African National Congress violence of the late 1980's and early 1990's. Two rooms have been completed in the new house and this is where we stayed. Both dwellings were very modest. In the newer house, although there is electricity, there is no running water inside the house but a standpipe next to the house. The pit latrine next to the house was washed away in a violent storm a few days before we arrived. Particularly given these circumstances, I noted the high standards in the household – everything was spotlessly clean. Also I noticed that, despite this household being better off than many in the area, there were very few non-essentials, not even children's toys.

Given that a substantial amount of my work has concentrated on local government, this was one of the issues I was particularly looking out for. By the end of the two days I concluded that the story was mixed. The area in which Host 2 lives had had electricity and running water for some years and there was a new community centre, including a well resourced library. There however seemed to be no municipal waste removal, leading to health problems like an infestation of rodents. In her work environment, as will be detailed in the technical notes, the city has spent significant resources in designing appropriate trader infrastructure. The streets in the Warwick Junction were being cleaned by municipal officials and pavements repaired. Some of the so called bad buildings – buildings in rates arrears that the private sector had abandoned - surrounding the Junction were being renovated. The street trader infrastructure however was not consistent across areas. Isipingo town centre - the transport node south of the city centre at which Host 2 catches her second taxi - was much more dilapidated, with broken pavements. The newly established taxi ranks had, in both location and design, made few concessions for informal traders. Crime is a problem in both Host 2's work and home environment. It particularly struck me that the only police people we saw in the full two days of trading in Warwick were policemen removing the goods of traders who did not have permits.

The stories of the young dying became for me, one of the more difficult parts of my exposure. Before we had even left the Blue Waters Hotel, Host 2 started speaking about her children. She had three children – two sons and a daughter. In the last three years one of her sons and her daughter, as well as one of her brothers has passed away. As she told us her eyes filled with tears. She has been left with many dependents – a baby of a few months, four children (three boys and one girl) and two young women – the wife of her son and her brother's wife, neither of whom have ever worked. Host 2, a 62 year old women, is thus the only income earner in her household. Although a very powerful personality, she is physically fragile. She was in a car accident in 2006 and still walks with a limp. The children are young, bright, full of energy and very well disciplined. If something happened to her, they would be incredibly vulnerable.

On our first night Host 2 and our facilitator Thandiwe, who lives in a neighbouring township, spoke at some length about how many young people were dying in their respective communities. Host 2's house overlooks a municipal graveyard that she pointed out was established only a few years ago and now was almost full. While we were in the market we were told that another *muthi* trader had died. Her daughter will

be taking over her site. Host 2 also noted that many of the card board collectors who used to operate next to her site have died. Both Thandiwe and Host 2 shook their heads at the difficulty of changing the sexual behaviour of the youth saying 'they don't wear condoms'.

As a researcher concerned about informal work in South Africa the impact of HIV/AIDs cannot be avoided. I carefully monitor the progress of the governments' antiretroviral roll out and have studied the insurance industry's models of how the disease will progress. This, however, was a very real personal experience of what is meant by the high dependency ratios and confirmed what an important role informal work plays in mitigating vulnerability.

I found this experience a huge privilege. My parents live in the former white suburb close to Host 2's home so the highways we travelled on, are roads I know well. As I sat in a crammed taxi with loud Zulu gospel music blearing, watching cars whizz past, it felt amazing to be inside looking out, rather than the other way around. It reinforced the importance for me of doing similar things not only for my work but for my experience of my city.



## 2.2 Technical Reflection

### a. Nancy Chau

The Durban EDP was every bit as thought provoking as the Ahmedabad EDP. It was very useful that our experiences were decentralised but focused on the various facets of the informal economy. It was also evident how much thought, planning, hard work and dedication were poured into this event. Thanks to the foresight, the preparations, and a real sense of engagement fostered both by the experience and the dialogue, I came away with a wealth of information. The collective impact of these, I have no doubt, is already influencing the way in which I approach and understand studies and policy debates about the informal economy.

In this reflection, I would like to raise three sets of issues that have been on my mind since the two EDP's. First, I draw two sets of links between globalisation and the informal economy. Next, I will discuss some thoughts on informal credit markets, with a wish list on issues to consider. Finally, I would like to close by briefly noting a largely ignored issue, at least in the course of our discussions before and after, having to do with the intergenerational dimension, and persistence.

### Globalisation and the informal economy

One route through which globalisation, in the sense of the spread of merchandise trade, is thought to be linked to the informal sector is through the formal sector. Downsizing, cost-cutting, layoffs and outsourcing are all terms now almost synonymous to many as the direct consequence of trade liberalisation both in developed and developing countries. This emphasis on the labour market brings to the fore at least three sets of implications: (i) the termination of old and the generation of new employment relationships in different sectors of the economy; (ii) a shift in the nature of job security and employment relations now incentivised by market forces; and (iii) income distributional consequences that arise because of this re-shuffling, both across workers at a given point in time, and for the same worker over time. The Ahmedabad EDP was, from what I saw, an example of this. The informal sector is important in this context, because it now acts as an "employer of last resort", as long as there is sufficient ease of entry.

The Durban EDP unveiled another set of linkages, which brings the world market to the doorstep of the informal economy in Durban. Interestingly, this link includes a combination of a South-South flow of investment, goods and people. Right in the vicinity of Warwick Junction and the *muthi* market (on our way to get cute things for the kids...or we would have missed it!), we saw scores of wholesale shops, many brand new, others still under construction. Most are owned by Chinese or Indian investors, although we did not really count. These wholesalers stand in the middle between the world market and informal traders, and act as a supplier of inexpensive goods of all kinds. This corroborates both popular press and dedicated research reports about the many-fold increase in investments from Asia to sub-Saharan Africa in recent years, in part in response to a shift in government policies (both Host and source), but also to preferential trade directives such as AGOA (African Growth and Opportunity Act) of the US, and EBA (Everything But Arms) of the EU. The

corresponding increase in investment projects now span manufacturing, services, resource and energy sectors.

There are then three other sets of forces that globalisation can bring to the informal economy, but about which research is in short supply: (i) the emergence of competing suppliers for informal traders, which offers the opportunity for informal traders to break free from longstanding supply chain relationships; (ii) the potential for employment creation arising from newly formed establishments; and (iii) the interesting issue of South-South investment flow, and with it, the flow of human capital, ideas, management expertise, and technology, that need no longer be bound by the memory of the apartheid era.

### **Informal credit markets**

One of the highlights of the Ahmedabad EDP was a visit to the SEWA bank. We were made aware of impressive rates of loan repayment, the important role of case workers in the process, and savings accounts for the poor. In contrast, then, the absence of a SEWA bank equivalent in Durban, and the informal credit arrangements (e.g. rotating savings and credit association) that rise in its place, were equally noticeable. What they share in common, however, is that they both demonstrate how it is not at all clear that the creditworthiness of the poor is *the* stumbling block of a smooth functioning credit market. After all, a person's "credit-score" is both group- and place-specific. A rich man with a perfect credit-score can walk in and out of formal financial institutions, but will most likely find the doors to credit access from informal credit markets shut. The same, and the more familiar case, is true the other way around.

Instead of diving into questions concerning information asymmetries and the implied creditworthiness of an individual, I would like to put before you now a series of questions, that international economists in their own way and in their own context, for example, have tried to ask themselves, but the questions are phrased here in the context of informal and formal credit markets. Please bear with the simple-mindedness of them all, for in the end what I want to venture to get at, is that we have yet to develop an appropriate language, a set of objectives, and a knowledge-base, based on which issues concerning inequality in credit market access can be dealt with, and in a way that mirrors the conceptual and quantitative strides that have been made in understanding labour and income inequality.

#### *Rates of return:*

"An investment project in sector A is known to yield 10% net rate of return in a year's time for sure, and another investment project in sector B is known to yield 5% for sure. With a dollar to invest, where should it be spent from the investor's point of view, and where should it be spent from a social welfare point of view?"

#### *Riskiness in rates of return:*

"An investment project in sector C is known to yield 10% net rate of return on average in a year, and another investment project in sector D is known to yield 5% on average. It is additionally known that both projects are risky. Project C yields 15% and 5% respectively with fifty-fifty chances, and project D yields 50% and 0% respectively with 10% and 90% chances. With a dollar to invest, where should it be

spent from the investor's point of view, and where should it be spent from a social welfare point of view?"

*Risk and Inequality aversion:*

"We have the same investment projects here, in sectors C and D, and still a dollar to invest. What we additionally know is that social welfare exhibits an aversion to income inequality (as opposed to the investor's private aversion to risks, say). Where should the dollar be spent from the investor's point of view, and where should it be spent from a social welfare point of view?"

*Employment Creation:*

"We again have the same investment projects here, in sectors C and D, still a dollar to invest, and social welfare continues to exhibit an aversion to income inequality. We additionally know that both investment projects can create jobs, at a level that is proportional to the ex post rates of return. A project that yields 0% rate of return in the end generates no jobs, but a 50% return means 50 additional jobs a year given the same dollar, for example. Where should the dollar be spent from the investor's point of view, and where should it be spent from a social welfare point of view?"

A wrestle with these questions (say substituting A for formal, B for informal and vice versa; envisage an investor in the informal economy, the formal economy, or the government; in place of a dollar, use as big or small a sum as you see fit) is useful for me. This is because it stresses the importance of fact-finding, and focuses attention on some issues that may have been put in the backburner for a while, but are now resurfacing in the context of informal credit markets. There are four such issues that I would like to note. First, what are some salient features of informal credit markets, their investors and investment projects, in terms of scale, rates of return, risks, and employment creation and / or destruction prospects relative to that of the rest of the economy? Second, how would one draw up a priority list governing social welfare that accommodate a concern not just for monetary returns, but equity in terms of access to the *opportunity* to invest, regardless of the promised money rates of return? For example, what should free entry in an otherwise segmented (formal versus informal, say) credit market be taken to mean? Third, adding risks introduces an additional dimension to the problem, because it is itself another source of (ex post) income inequality. This raises the issue that a concern for income inequality may or may not be friendly to certain investment prospects. Importantly, this also suggests that a concern for the opportunity to invest, can and should be expected to conflict with a concern for income inequality under some circumstances (such considerations will also sooner or later take us to the familiar territory of insurance, and the moral hazard of bail-outs). Finally, indicators such as default rates and money rates of return inevitably paint an incomplete picture. A first approach, in an economy such as South Africa with rampant unemployment, may be usefully phrased in terms of the employment creation impacts of credit market transactions in formal versus informal markets.

### **Intergenerational Aspects**

I should like to close by briefly noting one last issue. This concerns looking at the informal economy as made up not just of informal enterprises, as international definition now dictates, but of households with one or more family members engaged

in job search, wage employment, entrepreneurial, or unpaid labour market activities in the informal economy - one in which at least some or all labour and business regulations, tax laws and other regulations concerning inputs use, production process, and output production (in quantity and quality dimensions), cannot be enforced by the government, or simply do not apply.

One way to approach the issue is to force ourselves to ask whether informal enterprises are driven only by self-interests, maximise profits, and may wish to pay below the market wage if they can, for example. I suspect the reason why this can sound both kind of right and outright wrong, is that a member of the informal economy should in fact be thought of jointly as a producer of goods / provider of services, and equally importantly, an undertaker of education, health, capital, and social capital investment decisions. In economists' jargon, the plight of informal households today has spillover effects that run across generations, and peer effects that run across the economy where they belong, including both its working and non-working members.

## **b. Caroline Skinner**

In terms of my work, the impact of the EDP was multifaceted. Through the experience I was introduced to some new empirical insights, I found further evidence for many of the issues raised in previous research, a few policy, research and policy-research gaps were highlighted for me and it reinforced some of my concerns about empirical data gathering. I list examples of all of this below in no particular order of importance.

### **An increase in Asian goods being sold informally partly facilitated by a new Chinese community – the signs of trade liberalisation.**

There is a significant increase in the number of Chinese wholesalers operating in the inner city of Durban. They are retailing both high-end products like televisions but also cheaper consumer goods like clothes, shoes and accessories, suitcases and lots of blankets that we were told come not only from China, but other Asian countries too. Host 2 argued that the goods are reasonably priced but questioned their quality. These Chinese wholesalers are clearly targeting the informal economy as a key final point of sale, particularly for the cheaper goods. There are a number of new very large Chinese run wholesalers, often advertised as ‘hawker shops’. The pace at which these Chinese wholesalers have displaced South Africans largely of Indian origin, in the Durban inner-city is striking. Their presence facilitates the increasing influx of Asian goods. This is a micro- example of the extent of increase in Afro-China trade<sup>5</sup>. The role of the informal economy in this process however remains under-explored. A further nuance is that with the Chinese becoming a more established community in the city, there is increase in the number of poorer Chinese migrants. We met a Chinese woman who sold cup cakes to informal traders and passers by. She had come to South Africa as a stowaway on a ship. Her husband had died and she had done this on the promise that she would make enough money to send to her children, one of whom was very sick. This is an under-explored issue in the research on international migration in South Africa.

### **The livelihood impact of the right to trade and provision of appropriately designed infrastructure**

As noted, Host 2 has been trading in the Durban inner city since 1982. Her trading life can be separated into four stages. First, the period of harassment - in the 1980’s she was operating from a street close to where she currently is and she was consistently harassed by the police who would remove all her goods. It would take months to build up the stock that she lost. Second, there was the period of nearly 10 years of less harassment. From the late 1980’s to 1997/8 the city council’s approach was to allow traders to operate but no infrastructure was provided. She was operating on an exposed city street. She explains how this type of trading, particularly in a poorly managed but busy environment, entails being constantly vigilant to avoid goods being stolen or damaged. The third phase was that of market trading. In 1998 she moved into the Traditional Medicine Market, a market that the city council established in close consultation with traders. This market has shelter, water and

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<sup>5</sup> At the World Economic Forum annual conference on Africa, Africa - China two-way trade was said to have increased by 40% in 2006, to US\$55.5 billion. This is estimated to increase to over US\$100 billion by 2020. (Mail and Guardian, Online 15 June, 2007).

toilets. Finally in more recent years she has been operating from a kiosk. This kiosk borders the traditional medicine market so she remains close to her peers. The stall has water and lighting and a roll up metal door.

What is important was with each phase of greater security and then access to more sophisticated infrastructure, she has been able to increase her stock levels and thus her income. For example in moving from the street to a market she could stock up, not only due to the bigger size site but also not having to limit her stock by the quantities that were possible to store. In moving from the market to a lock up kiosk she has significantly increased the amount and variety of stock she carries. In terms of stock she carried at the time of the EDP, there was nearly R20 000 worth<sup>6</sup>. This is substantial. It was not possible to do exact calculations of stock levels and profits before, and after. If we had more work on impact that a. security of tenure and b. of appropriately designed infrastructure has on trader livelihoods, this would be useful material to attempt to influence policy at local and national level.

### **Barriers to entry into the informal economy**

One of the big policy questions in South Africa is, given high levels of unemployment, what are the barriers to entry to more people working informally. We posed this question to Host 2 and Thandiwe both of whom have not only been informal workers themselves for most of their working lives, but also very active in informal worker organisations. They said the main barrier to entry was crime. Crime is a pervasive issue in South Africa. Host 2 felt that crime had got worse in the inner city in recent years. In our two days someone attempted to pickpocket my co-visitor Nancy Chau. When we were sitting in a more formal market across the way from where Host 2 traded, the women who served us told us of a gang who was going around with AK47's and stealing from the formal traders in the area. A secondary barrier they identified was the cost of transport, the issue of the economic impact of apartheid spatial planning is thus raised again.

### **Backward and forward linkages and employment created**

Another area of policy concern is the backward and forward linkages in the informal economy, particularly the relationships with the formal economy. Host 2 sources her goods from a number of different suppliers. She mainly gets them from gatherers who come directly to the market to sell their goods. She says the main supply market is about three hours drive up the North Coast. She used to go up there herself but said that this has in recent years this has become unnecessary. She does however send women to get specific goods. Her goods are either sold to end users or onto healers who then prescribe them directly to their patients. Other than the plastic carry bags she sells her goods in which are sourced from the formal economy, the backward and forward linkages in the segment of the *muthi* chain that she works, is entirely informal. I hesitate to admit this because in policy terms detailing the links with the formal economy is so critical. I have however long argued that traditional medicine is somewhat of an outlier. Given that the city council in collaboration with the

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<sup>6</sup> There were approximately 60 bags of plant products that she valued at R120 – R150 each and approximately 100 Bottles which she valued at R110 each. Her stock values at the time were thus R19 100 (+-\$2 700).

provincial government has set up a number of farms to supply *muthi* products, the linkages with the formal economy are likely to strengthen in time.

It is clear that this aspect of the health services in South Africa generates substantial employment. There are gatherers, wholesalers, couriers employed to source rare goods, people employed to process product (for example, crushing bark), dispensers and doctors. Most of these people are women. They service a clientele that are largely Africans - both rich and poor. A number of the clients served in the time we spent with her were well to do, middle class South Africans indicating the popular appeal of the product.

### **Trust and reciprocity**

In the absence of formal structures and procedures that protect formal economy players (like lock up shops with security, written contracts, bank transfers, access to credit) reciprocity and trust does come into play. It is striking how *muthi* traders, despite the fact that they compete for customers, are very supportive of each other. If a trader needs to leave her stall for short or even long periods her fellow traders watch the stall and sell her goods to customers. When Host 2 did not have a product, she either directed the customer to the trader who did carry that product or went to fetch it to sell it for the other trader. There are particularly high levels of trust in supply relations. As previously noted, while we were with Host 2, she paid two young women R190 to source plant products. She said she did not expect to see them for at least three weeks but did not doubt they would come back. Another example of this is the rotating credit societies detailed below.

### **Financial management and related issues**

*Rotating credit societies:* The EDP gave me a new insight into the workings of rotating credit societies, locally known as stokvels. Host 2 contributes R200 a day to her stokvel. There are ten members in the stokvel and most of them are fellow *muthi* traders. She has done this for two years (roughly correlating to when she moved into the kiosk). Through this, she 'saves' about R4400 a month. She did say that she used these savings to build her house. She is very disciplined about her contributions and would rather borrow money than default. The Stokvel also lends money, it was explained that if you borrowed R60 you paid back R75 at the end of the month or if it was R100 you pay R125 (i.e. and interest rate of 25%). This interest had to be paid no matter what the loan period so if you took the loan on the 1<sup>st</sup> or 29<sup>th</sup> of the month. The profit made from these loans is shared out at the end of the year. Thandiwe, our facilitator explained how she was a member of three stokvels – one monthly, one for Christmas food and one similar to Host 2's. They both explained how some stokvels do use formal banks. Little research has been done in a South African context about how to strengthen these informal savings mechanisms. How do such clients experience the commercial banks? How could banks better target and support stokvels? This is particularly in the light of a policy opportunity in through the financial services sector campaign.

*Access to credit:* When asked what she would say was the most important intervention government should be implementing to support the informal economy, Host 2 identified access to credit specifically to buy stock. In her case she felt that if

she had access to credit she would be able to stock more of a range of goods and that this would increase her profitability.

*Access to insurance:* As noted her estimated stock value is R20 000. This is not insured for fire or flood damage or theft. Some would argue that traditional medicine traders are somewhat protected from criminals in comparison to traders selling other goods. This is because criminals fear reprisals from either the trader themselves or the ancestors. Insurance for productive assets and stock is an important area for further research and policy analysis.

*Calculating income / profit:* Host 2 does not make profit and loss calculations. Money generated through trading is used for business and personal uses. In the second day we were with her we estimated she sold about R500 of goods. She however spent R260 on two bags of goods sold by gatherers and a further R190 to the women she sent off up the north coast. With stock levels like she has, much of which was sourced sometime ago, I am struck again by how methodologically challenging securing accurate income data is. To accurately assess profit, financial information would have to be collected over time. More innovative methods like getting informal workers to keep their own financial diaries over a long period (as has been experimented with in the Western Cape) need to be considered.

### **The role and impact of collective action**

Host 2 and our facilitator Thandiwe Xulu were both active members of the Self Employed Women's Union or SEWU. SEWU was modelled on the Self Employed Women's Association in India. They were active from 1994 to 2004. At the time of SEWU's closure Host 2 was the President and Thandiwe the secretary for the KwaZulu-Natal region. There was some reflection over the two days about the impact of SEWU on their respective lives. Both women said that SEWU had given them very important skills particularly negotiation skills and practical organisational skills like how to chair meetings. They both spoke of how much they had learned from the founder, Pat Horn. Host 2 said 'SEWU opened my eyes'. She spoke about travelling to India and Germany for SEWU. India particularly struck her. This is where she got the idea that SEWU should organise cardboard collectors, a group that became an important sector group in SEWU. Host 2 attributes the very existence of the herb market to SEWU's lobbying. This simply confirms and gives particular detail to what we know about the importance of collective action in the informal economy generally, and particularly, among women. Both women spent time reflecting on the importance of establishing a new SEWU.

Although SEWU no longer exists Host 2 is active in a number of other organisations and attributes her volunteer work to her experiences in SEWU. She chairs the Herb Trader Committee. Two issues were raised with her in her capacity as chair while we were with her. First there was a case of a women trader who is trading in a part of the market with limited foot traffic – her mother is the permitted trader but is sick. Host 2 decided that this trader should swap sites with a newer trader whose site was in a busier place. Second there was a case where a trader's goods had been taken and she had evidence that one of the barrow men was responsible. The trader wanted to get her son to come and beat the perpetrator up. Host 2 calmed her and suggested that this was not appropriate. She is clearly looked to as a wise woman. There has,



however, been some controversy over the council outsourcing responsibilities to local block committees, responsibilities like the allocation of sites were more neutral actors would be appropriate. Host 2 seems to have a measured approach so in her case this is not as problematic as it would be for leaders who were more easily corruptible.

### **EDP as a method**

Exposure dialogues as an experiential method and perspective changing tool are extremely powerful. Anthropologists however would be likely to be critical of it as 'quick and dirty'. This however would be misconstruing the purpose but also would be the case if it were not so carefully set up. The hosts were incredibly well prepared and briefed. This method, however, does come with the normal hazards of research in poor communities, that your very presence raises expectations that things will change. There was huge energy generated through the EDP, talk of influencing government policy and establishing a new SEWU. Particularly with the former I felt that during the EDP the academics did not state clearly enough that we are simply conduits for the information and can not control the outcome. I was concerned that we generated unrealistic expectations. This was I am sure addressed in the debrief session. As a research method I find myself unsure how to use the experience and insights gained through this exposure as essentially to make any broad claims I would be generalising from a sample size of one.

*Host 3* : Block-maker

Facilitated by Sibongile Mkhize

Participants: Ravi Kanbur and Imraan Valodia

### **3.1 Personal reflections**

#### **a. Ravi Kanbur**

##### **And has the *lobola* been paid?**

*Imraan Valodia and I, together with our facilitator Sibongile Mkhize had the enormous privilege of staying with Host 3. She lives in Umzinyati, outside Ndwedwe, about an hour from Durban. She makes and sells concrete blocks. We shared her household, her food and (after a fashion) her work. These notes, made at the end of the day, capture the information I was gleaning, and what I thought and felt at the time. They are reproduced pretty much as they were written, with no attempt at constructing a narrative—though one does seem to emerge nevertheless.*

We paid a courtesy visit to the chief to ask permission to visit the area. Chief was out. Met his wife. She is a school teacher—a deputy principal. She has 108 orphans out of 900 students in total. She asked for assistance.

Discussions began with Host 3. She moved here on marriage. Husband's family has been here for a long time.

SEWU has been very important to Host 3. She got training in making concrete blocks and in sewing. Her father-in-law opposed her going to SEWU meetings. "Are you really going to the meetings?" Her husband, however, was supportive. There are 5 women in Host 3's group—4 are widows. Host 3's husband joked, "Am I next?" Host 3 has 3 girls and a boy. Youngest are twins—a boy and a girl.

In December 2005 her husband had a car accident. His car was badly damaged. He cannot now help in delivering the concrete blocks that Host 3 makes. Host 3 says there is demand for blocks, but (i) because of the accident and because the car was not insured, delivery is an issue and (ii) to make blocks means buying cement in advance. Finding finance for this upfront purchase, and sometimes to take advantage of special deals for bulk buying, is a major problem.

Her friend stopped by. She does multiple things—blocks, clothes, domestics work (2 jobs). She sells clothes at the pension points in the area. She is not registered by her domestic work employers.

House is in reasonable amount of land. Built in different connected parts. TV, music system. Manchester United posters. Outside toilet, provided recently by the local authority—2001. Electricity came in the late 1990s. Running water is also recent--2000. Before, much of the time was taken up fetching water—several times a day to the river to fill up the tank. Piped water has released time for other activity, like making blocks. It also helps in growing vegetables on the land. The data in the volume that Haroon Bhorat and I have edited show the improvement in social services throughout South Africa. Host 3 is the reality behind the statistics. Her case shows how important it is to press ahead with full provision nationally.

Second day. Making blocks. Taken down to riverbed, where blocks are made, by Host 3's husband in borrowed car. Car filled with tools, including very heavy block maker,

and 3 bags of cement. Stuff unloaded near river bed. The lugged some distance over very uneven and overgrown terrain. Three 50Kg cement bags in a wheelbarrow particularly difficult, especially getting it over a fallen tree.

Blocks are made in a clearing, where sand from the riverbed is brought to dry. Host 3 had enough sand for today, but she takes us down to the bed to see how sand is collected and what sort of sand (coarse, not fine) is needed. Right sort of sand is close to the water, and hence wet and heavier to carry back.

We had 3 bags of cement. 4 wheelbarrows of sand per bag were mixed. Water added—fetched from the river in a plastic tank. Mixing the concrete and then making the blocks is heavy back-breaking work. Each bag of cement costs 65 Rands. To pay boys to get 4 wheelbarrows of sand and help make blocks costs 20 Rands. Each bag of cement makes 30 blocks. Each block sells for 4 Rands. So profit is 1 Rand per block. In one morning's work we made 90 blocks, or roughly 90 Rand profit when the blocks are finally sold. Such work cannot be done every day.

A key issue for Host 3 is transporting tools and cement from her house to the river bed. If this was available, or if there was security at the site so she could leave stuff there, the work day would be much easier. Lugging the tools and wheelbarrow back up the hill to the house at the end of the day was no easy business. And to think Host 3 had to do this 8 times a day for water before running water in her house.

The other key issue, perhaps the major one, is the float with which to buy the cement to meet the orders. She had a float, and was doing reasonably well according to her, but she lost this float with the expenses of the car accident. Since then, things have been difficult. The car accident highlights the vulnerability to shocks.

Third day. Wake up aching all over. Muscles I did not know I had were aching. Yet Host 3 does this several times a week.

We go back down to the river to see the blocks. They need to be “watered” for them to dry strong. Four days of drying is needed.

Come back and get ready to leave. Mafikizolo comes on the radio. Sibongile tells me they're on, since she knows this is my favorite group. This is from their latest CD, Six Mabone. Must get it.

Other members of Host 3's group arrive. We all walk down to road to catch the taxi back to Durban. It must have been quite a sight, Imraan and Ravi walking with 8 women. The sight does not go unnoticed by two old men sitting in front of their house. “Where are you taking those men?” they ask the women. “And has the *lobola* been paid?”

What should I say to the South Africa policy makers I will meet in two day's time, based on my three days with Host 3? I would like to say the following:

- The provision of social services is having an impact. Stick with it.
- Host 3 and women like her face finance constraints for the float for their activities. And yet the formal system seems to have failed them.

- The importance of “microinsurance”, which can stop a negative shock leading to a downward spiral.
- The importance of SEWU, and of membership based organisations of the poor more generally, is clear. SEWU is no more, but support for MBOPs needs to be explored vigorously.
- (Based not so much on Host 3 ’s experience, but what I heard from Host 1 on the first day about her difficulties in selling school uniforms -. Crack down on monopolistic practices that block the output of the small producers from being sold, especially to the public sector)

## **b. Imraan Valodia**

We're off in the taxi, leaving the luxury of the Blue Waters Hotel, for the main activity of the Exposure Dialogue Programme that I have spent the last year organizing. A quick change of taxi at Warwick Junction and we're on our way to Umzinyathi, home of Host 3. I think about my ideas about the inefficiency of the taxi system – we're transported speedily, cheaply and efficiently. And the music was loud. I can hardly talk to Ravi above the blasting, but vibey, music.

We've got to be approved by the Chief. In preparing for the EDP we made a few visits to Chiefs. So, the now familiar walk up to the Chief's house – substantially smarter than everything around it. And the familiar wait for the Chief. We chat to his wife. Sibongile regales us with her story of the time that she was almost married off to a Chief. The Chief does not come. He is elsewhere but his wife welcomes us to the area so we're ok.

We enter Host 3's home. I have been here before preparing for the EDP. A typical township home – small to begin but various bits added on. Recently, running water, electricity and toilet added. But I have not met the family. We meet Host 3's two daughters. They bring us some sandwiches. Both now finished school. The older, P., makes craft products – beautiful Zulu bowls. The younger, A., having just finished school in 2006 is unsure what she next wants to do. Then we meet the twins P. and P. – a boy and a girl aged 14. I too have twins I tell them – a boy and a girl. Later that evening we meet husband of Host 3.

Early the next morning after the now familiar large number of sandwiches we're off. Piling 3 bags of cement into the vehicle and mixing and blockmaking tools. Husband of Host 3 drops us off near the river and there the hard work begins. I offer to push the wheelbarrow, now loaded with cement and tools, and quickly realise we're in for a hard days work. Within a few metres my hands are aching. We pull and push the wheelbarrow to a clearing beside the river. Now sand – 4 barrows of sand for each bag of cement. Then water. We mix – taking turns with the tools. The mixed cement is 'poured' into a block mould – which has to be removed leaving a block. Lifting the mould is back-breaking work. We're doing quite well as a team. By 3pm we're made 90 blocks – 30 blocks per bag of cement. I am shattered but have a feeling of pride and achievement having worked pretty hard to help with the 90 blocks which are left to dry.

We head back to Host 3's home and all that Ravi and I can do is eat - more wonderful sandwiches - and discuss the economics of Host 3's blockmaking enterprise. With the cost of cement - it used to cost R50 but with the boom in the construction industry its now R65 per bag – and the labour that Host 3 has to employ to assist with the collecting of sand her cost price is around R3 per block. She sells them for R4 per block so her gross margin is around R1 per block. It strikes me that five of us have worked for an entire day and made R90!

Host 3 can sell as many blocks as she can make so there is no demand-side problem. The growth of her enterprise is constrained on the supply side. She needs sufficient cash to purchase cement. Two factors limit her ability to buy more cement. First, she does not have a float to fund her purchases. We learnt, last night, that Husband of

Host 3 had a very bad motor vehicle accident in 2006 and all of the family's cash resources, including Host 3's float were put to meeting the costs associated with the accident. So, not only has the family's resources been depleted but Host 3's ability to earn and income and build her cash resources has been negatively affected. Second, the cost of cement is now some 30% more than it was. There are other factors too. The cement can't, for security reasons, be stored on the worksite so it has to be moved from home to the site – a physically challenging task.

The next morning we proudly water our blocks and potter around the garden. Host 3 grows all sorts of wonderful vegetables. And chillies which she knows I love. So we pick a packet of chillies for me to take home.

We head off to the taxi. I think about the things that most struck me:

- The debates about whether South Africa's levels of poverty have improved. Whatever the national survey data may say, I am pretty sure now that most township families such as the Host 3's are much better off. The provision of basic infrastructure has significantly improved the lives of Host 3 and her family.
- The inter-generational transfers of unpaid household work. A. and P., Host 3's older daughters, now did all the unpaid domestic tasks in the household thus freeing up Host 3 to work in the block-making project.
- The boom in township construction. Everywhere people were adding to their homes. Clearly this was related to the boom in the formal economy.
- The precariousness of life in the informal economy. Host 3 had the makings of a viable enterprise that was growing. The accident, and the lack of any social insurance to cover her risk, lay at the heart of her problems with getting an adequate float for her enterprise.
- The physically draining nature of her work. I worried about her ability to sustain her livelihood in this way – her health would, I thought, simply not stand up to this sort of work much longer.

## **3.2 Technical Reflections**

### **a. Ravi Kanbur**

#### **Conceptualising Economic Marginalisation.**

##### **Introduction**

What exactly is “economic marginalisation”? How should one conceptualise it, and what are the implications of such conceptualisation? These notes are an attempt to address these questions and to put forward some ideas for debate and discussion.

There are two basic pieces of ground clearing needed before we get specific. First, marginalisation is a relational statement. A category X cannot be marginalised in and of itself. It always has to be marginalised in relation to some other category, Y. So conceptualisation requires an explicit statement of both X and Y—although in many cases Y is thought of implicitly as “the rest of society”, or the “rest of economy”, or simply “the average”.

Second, we need to get beyond a well worn critique of any categorisation into discrete groups—that reality is more continuous. All analysis, certainly all conceptualisation, uses simplified categorisation of a complex reality. The real question is whether a categorisation into two (the “marginalised” and “the rest”) misleads to such an extent that an expansion into three (or four, or more) categories is worth the price of added complexity relative to the benefits of greater understanding. This is something that has to be debated and decided on a case by case basis.

In what follows I will consider economic marginalisation as outcome and as process (or structure). I will then consider discussions of “formality” and “informality”. I will conclude with some points on policy implications.

##### **Economic marginalization as outcome and as process**

In the analytical literature, and certainly in the policy discourse, there are two often undifferentiated strands of thought—economic marginalisation as outcome, and economic marginalisation as process.

On outcomes, a static and a dynamic characterisation can be discerned. One often sees statements about marginalisation of X relative to Y meaning simply “X is worse off relative to Y”, where “worse off” can itself be measured in a number of ways, covering income and non-income dimensions. At other times, marginalisation is taken to mean “X has got less of the increase in the pie than Y”. The first statement is related to the level of inequality, the second is about changes in inequality.

Let us apply the above to income inequality between and within countries. Are poor countries of the world becoming economically marginalised, in the sense that they are getting less of the global increase in income than the rest? The answer to this question is not unambiguous. China, India, Bangladesh, Pakistan. Vietnam, etc are all growing at rates far higher than the growth rates of OECD countries, and relative to the world



average growth rate. So these poor countries are not being marginalised in this sense. The story is very different for most of Africa, and some of Latin America. The low (often negative) growth rates of these countries relative to the world imply marginalisation according to the relevant definition. Turning now to inequality within countries, there is strong evidence that growth, especially rapid growth, has been accompanied by increasing inequality. This is true of the countries mentioned above, as well as countries in Africa and Latin America. And inequality in many countries, especially in Latin America, is in any case high by global standards.

The evolution of world income inequality as a whole is clearly an aggregate of these trends and there is room for disagreement depending on what weight one gives to each, and of course the data issues that plague any global assessment of this type. However, we can be relatively confident that economic marginalisation within countries, defined as increasing income inequality within countries, is indeed taking place.

Economic marginalisation as a process relates to economic structures, in particular to the structure of markets and their integration. To the extent that the markets that some individuals or groups engage in are segmented from the economy in general, these individuals can be said to be marginalised from the rest of the economy. A possible remedy, discussed quite often, is to advance integration through, for example, building infrastructure (eg roads) linking markets, or institutions (eg microcredit) which allows some groups to participate in market activities. Segmentation and exclusion may, however, have non-economic and non-financial origins, for example in discrimination by gender, caste or ethnicity. Here integration takes on a broader meaning.

Alongside integration arises the issue of adverse integration. If markets were competitive, with market power evenly distributed, then integration into market structures should increase income earning opportunities for those previously excluded, and reduce process as well as outcome marginalisation. But integration into a market structure with concentration of market power is marginalisation operating through market structures. Monopoly or monopsony are obvious examples of market power where those at the weaker end lose out from market structures even though they are integrated into them.

### **Formality and informality**

The discourse on marginalisation is often overlaid with, or even solely identified with, the discourse on “formality” and “informality.” This distinction, which has been central in the development studies discourse for the past 60 years, is nevertheless not very clear and sharp in the literature. There is a multitude of definitions, with little in the way of consistency. However, two strands can perhaps be discerned. The first strand identifies “informal” with “chaotic”, “disorganised”, “uncertain”, “no rules of the game”, etc. This is a dangerous mindset which is empirically false and has led to policy disasters, such as the nationalisation of forests because it was felt that local “informal” forest management mechanisms were not adequate. The result was even more deforestation than before. This mindset endures, and can lead to heavy handed interventions to “bring order” to sectors which are perceived as being disorderly, and unconnected to the “formal” sector which is perceived as having greater order and

stability. This mindset has to be resisted firmly in analytical and policy discourse. It is to be hoped that it will be resisted in the “first and second economy” discourse in South Africa.

The second strand, which is in principle neutral on the intervention question, identifies “formal” and “informal” as tendencies along a spectrum of “more or less engagement with the state.” This matches statistical definitions often used (eg in defining formal enterprises as those that pay taxes, or those that are subject to labour regulations, etc)). It also focuses attention on policy and on intervention, its extent and its nature. However, in accepting this way of thinking about formal and informal, there should be no presumption that more, or less, intervention is necessarily better, or worse. It depends on the situation on the ground, and on the nature of the intervention. Some interventions—for example the many attempts to control, or “regulate”, street trade—end up hurting the poor more than helping them. Other interventions, for example, extending microfinance facilities to previously underserved areas, can be beneficial to the poor.

If we think therefore of “integration into state structures” as being a dimension of marginalisation, similar issues arise as in the case of market integration. If the integration is neutral, for example where efforts are made to extend benefits to those who have a right to them, then this can reduce marginalisation—viewed as outcome and as process. An example of this is where state provision of water and sanitation services is extended to areas that were previously excluded. However, just as in market integration, there can be adverse integration into state structures. It is well understood, for example, that legal structures and processes often advantage those with education and resources to fight court cases. With such inequalities, bringing the poor into formal legal nets, for example through land titling or creating formal legal titles to slum properties, has to be done with great caution and with due attention to the power and resources inequalities in the system. Even with such caution, on the part of policy makers and implementers the poor need to organise so as to better navigate both market and state structures.

### **Summary and policy conclusion**

Economic marginalisation can be conceptualised as outcome or as process (or structure). On outcomes, marginalisation can be a static description, or a dynamic characterisation of how things are moving. On the latter, defining marginalisation as the worsening position of some relative to the average, the question is whether economic inequality is on the increase. The short answer is that income inequality is indeed on the increase within countries; however, the picture on income inequality between countries, and on non-income inequality, is much less clear.

On process or structure, two important dimensions are integration into market structures, and integration into state structures. While both types of integration can in principle lead to better outcomes for those previously excluded, or marginalised, adverse integration is an ever present danger. Whether it is market or state, adverse integration into structures with unequal power and resources can lead to poor outcomes for some, and thus exacerbate marginalisation in terms of outcomes.

*What do policy makers and their analysts need to do in light of the above?*

- There has to be analysis of, and development of policy towards, monopolistic and monopsonistic tendencies in local and national markets
- There has to be prior analysis of possible adverse integration consequences when investments (eg transport) are made to integrate markets.
- The technical design of state interventions and regulations has to be looked at to ensure that those with education or resources insufficient to navigate their way through the administrative maze are not being disadvantaged.
- The attitude of government officials have to change towards those who cannot easily manage state regulations and procedures.
- There has to be support for membership based organisations of the poor, organisations that are responsive to their poor members and who can represent the interests of the poor to the rest of society, including, especially, local and national governments

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## **b. Imraan Valodia**

### **Linkages between the formal and informal economy**

The 'second economy' policy discussion in South Africa has highlighted the need for clarity on the relationship between the formal and the informal economy. I want to use the EDP, and the little that I learnt about Host 3's life to reflect on this discourse.

A number of theoretical arguments may be posited for how the formal and informal economy are linked. First, is the view that the informal economy exists because the regulatory burden of operating in the formal economy is too high, and thus, small enterprises choose to remain in the informal economy to evade the regulatory net. This view is most prominently articulated by Hernando de Soto and more recently by William Maloney of the World Bank. In Maloney's case, while the exact economic relationships between enterprises may take a number of forms (they may, for example, be quite integrated or disarticulated), the key issue is intention. Drawing mainly on experiences in Latin America, Maloney views the informal economy being made up of a set of agents who opt, by their own free will, to operate in the informal economy, largely as means of avoiding regulatory burden.

Rosa Luxemburg wrote most insightfully about dualism – specifically the links between the capitalist and pre-capitalist economies. In her classic, *The Accumulation of Capital*, Luxemburg argues that the existence of pre-capitalist enclaves within the capitalist economy is a pre-requisite for the continuation of accumulation. Her contributions were focussed at the global level. Seeking to explain accumulation at the global level, Luxemburg wrote:

Since capitalist production can develop fully only with complete access to all territories and climes, it can no more confine itself to the natural resources and productive forces of the temperate zone that it can manage with white labour alone. Capital needs other races to exploit territories where the white man cannot work. It must be able to mobilise world labour power without restriction in order to utilise all productive forces of the globe... This labour power, however, is in most cases rigidly bound by the pre-capitalist organisation of production. It must first be 'set free' in order to be enrolled in the active army of capital (Luxemburg, 1951:363).

Luxemburg clearly sees the relationship between the formal and informal economy that is very different to the 'entry by choice' approach of De Soto and Maloney. Which of these approaches may best characterise the nature of informal work in South Africa?

Since Stats SA introduced the six monthly labour force surveys (LFS) in 2000, South Africa has had comparatively good labour market statistics. The statistics presented below are based on analysis of the September Labour Force Surveys for the period 2000 through 2005. Table 1 represents the population by employment status and sector for South Africa.

Table 1: South Africa: Population 15+ by employment status and sector

	2000	2001	2002	2003	2004	2005
Formal agriculture	686,219	678,910	826,343	845,182	639,194	591,772
Formal other	6,865,361	6,927,409	7,075,966	7,512,036	7,739,645	8,075,451
Domestic work	1,215,165	1,070,362	1,053,834	1,204,010	1,085,946	1,080,341
Informal agriculture	1,083,211	412,193	576,781	394,515	474,304	381,087
Informal other	1,802,050	1,797,722	1,590,343	1,779,371	1,800,332	2,340,984
Don't know	110,516	119,032	60,288	39,875	52,488	35,457
Unspecified employed	206,752	28,562	29,123	17,254	19,606	42,422
Unemployed	4,088,846	4,541,111	4,846,492	4,578,243	4,143,553	4,501,277
Not economically active	12,657,110	13,591,432	13,740,966	15,747,509	15,392,429	14,751,856
Total	28,714,426	29,166,734	29,800,137	32,117,995	31,347,498	31,800,646

Source: LFS

Table 2 presents the same information as the previous table, but this time in terms of percentages, and restricted to the employed.

Table 2: South Africa: Distribution of employed by sector

	2000	2001	2002	2003	2004	2005
Formal agriculture	6	6	7	7	5	5
Formal other	57	63	63	64	66	64
Informal other	15	16	14	15	15	19
Informal agriculture	9	4	5	3	4	3
Domestic	10	10	9	10	9	9
Total	100	100	100	100	100	100

Source: LFS

From these tables it is clear that there are significant numbers of South Africans who are not working in formal jobs. In absolute terms 4 million informal economy workers are recorded at national level in 2000 and 3,7 million in 2005 for the informal economy broadly defined i.e. including those working in informal enterprises, domestic work and informal agriculture.<sup>7</sup> This constituted 34% and 31% of the labour force in 2000 and 2005 respectively.

Turning our attention to those employed in informal enterprises although figures fluctuate, this has been an area of employment growth in the post-apartheid period. This is reinforced in Casale, Muller and Posel (2004) who recalculated Stats SA data to ensure comparability of years for the period 1997 to 2003. Using figures from the October Household Survey they calculated that in 1997 there were 1 161 300 people reported to be working in informal enterprises. The comparable figure according to our calculations for 2005 is 2 340 984.

<sup>7</sup> There has been considerable debate about the reliability of informal economy statistics (see Devey, Valodia and Skinner, 2006). It is informative that in the LF surveys where incentives have been given to fieldworkers to find informal work due to an additional survey being carried out that significantly more informal work has been registered. Whether this suggests that there is overcounting in these surveys or undercounting in other surveys is not at all clear. This should be born in mind when considering these figures.

Two notes of caution on interpreting these trends as an unequivocal growth in informal employment in South Africa. First, the increase in informal employment reflects both a real increase and the fact that Stats SA has been better able to capture informal employment, some proportion of which may have existed for a long period but may not have been captured by the national survey data. We're unable to distinguish these two effects. Second, there is a tendency in South Africa to overstate the growth of informalisation and flexibilisation, and also to see these developments as very recent, and unconnected to historical trajectories in the labour market. Though new forms of informalisation and flexibilisation are indeed beginning to emerge in South Africa, and segmenting the workforce in new ways, it is important to note that the labour market in South Africa has historically been characterised by high levels of flexibility and informality. A key characteristic of the apartheid system, and the racial pattern of South Africa's industrialisation, was the highly flexible system of contract labour and migrant labour (see, among others, Wolpe 1972, Legassick 1974). Several micro-level studies in the early 1980s have suggested extremely high levels of informal economy activity. In KwaNgele, near Durban, Cross and Preston-Whyte (1983) found that over half the households relied on both the formal and informal economy for their incomes. In another Durban area, KwaMashu, Wellings and Sutcliffe (1984) found that over half the households had at least one member engaged in informal economy activities. Webster's (1984) study in Soweto reported that over 30 percent of households were engaged in the informal economy, in one way or another.

A further issue relates to the definitions applied to informal work. The data above are based on an enterprise definition of the informal sector i.e. is the enterprise in which the worker is employed registered with the authorities? More recently, the ILO has introduced the concept of the informal economy, which is wider conceptualisation of informal work. The informal economy is an employment based definition which covers all work that is not covered by formal arrangements. Thus, own account work and employment in the informal sector and employment in the formal sector that is not regulated or protected. Table 3 below shows the difference between the informal sector and the informal economy. Cell 2 is the critical part of the matrix, representing informal work that exists in the formal sector of the economy. Given the spread of part-time and casual forms of employment in the formal sector and the high incidence of low-waged work in South Africa (see Valodia et al, 2006) this portion of the labour force in South Africa is probably growing significantly.

Table 3: Informal Sector vs Informal Economy

Production units	Types of jobs	
	Formal employment	Informal employment
Formal enterprises	1	2
Informal enterprises	3	4

Key: Formal employment=1; Enterprise based definition of the informal sector= 3+4; Informal employment i.e. employment based definition= 2+4

So what evidence can we bring to bear on the how one would characterise the informal economy in South Africa? – is it made up of economic agents who enter the informal economy by their own free will and do so to avoid regulations?, or is in fact

made up of workers who are in an exploitative relationship vis-à-vis the formal sector?.

I know of two data sources which can assist to understand this issue – surveys of informal workers which ask their motivation, and the LFS.

Skinner’s (2005) survey of 507 informal workers in the Durban area specifically asks about motivation. Her finding, shown in Figure 1 is that unemployment is the most important factor motivating entry in the informal economy. Valodia, et al (2007), in a survey of informal traders in the Durban area also explore the same issue. There evidence, shown in Table 4, confirms that lack of employment opportunities in the formal sector is the primary motivation for entry into informal trading

Figure 1: Motivation for Operating in the Informal Economy

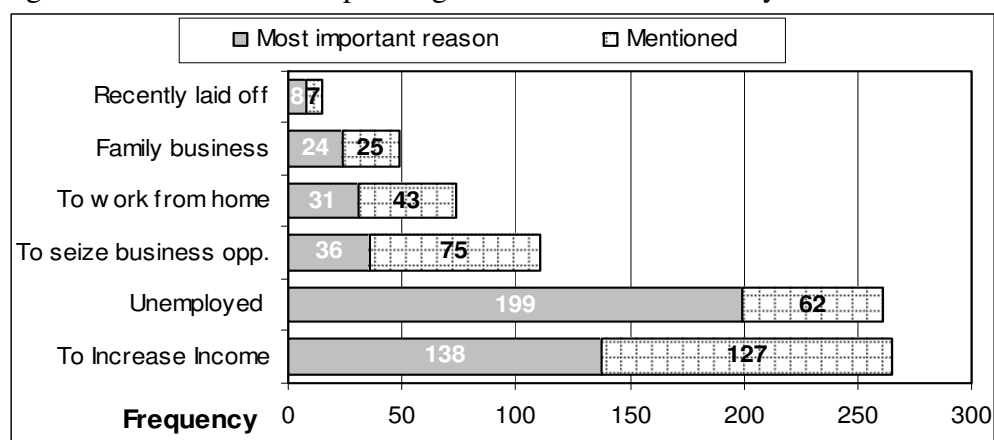


Table 4: Reasons for entering the informal trade

Reason	Percent
Other	4.0
Lack of employment	63.6
Easy way to get income	3.0
Want to be self employed	6.1
Want to own my own business	1.0
I love selling	8.1
Uneducated	5.1
Family business	1.0
Company I worked for closed down	2.0
It’s the only thing I can do	3.0
Disability	1.0
Saw it as an opportunity	2.0
Total	100

The panel component of the LFS is a particularly useful methodology because it allows us to track movement between the formal and informal sectors. Devey et al (2007) track movements between the formal and informal economy. If Maloney’s description of the informal economy holds in South Africa, we would expect to see



workers who move from the formal sector to the informal sector increase their incomes. Devey et al find that this is not the case – incomes of such workers remain constant suggesting that, at the lower end of the employment spectrum in South Africa incomes in the formal and informal sector are very similar. There is other evidence to support this (see for example Valodia et al, 2006).

The evidence from survey data, both national sample surveys and more localised surveys of informal workers suggest that informal work in South Africa, rather than a first option, is a fallback position for workers who are unable to find work in the formal sector. Is there any evidence, from the Exposure Dialogue that might shed some further light on this issue?.

Host 3, my host over the period of the EDP has never worked in a formal job. Her working life, until recently, was primarily doing unpaid work – caring for her family, maintaining the household and work on small-scale subsistence agricultural production. The family's cash income was earned primarily by the husband of Host 3 who worked for many years in the textile and clothing industry in the Durban area. Host 3's entry into the informal economy was a response to the husband of Host 3 being retrenched as the clothing and textile industry in the Durban area, now more exposed to cheap imports from more efficient producers on the international markets, was forced to reduce its workforce. This was the main impetus for her joining and leading a group of women in setting up a blockmaking project. In Host 3's case her entry in the informal economy was therefore 'forced' by circumstances. However, working in the project is her preferred option – she is not looking for work in the formal sector and is unlikely, I think, to accept a job in the formal sector were she to be offered this option. A second, and probably very important, factor leading to her work in the informal economy is the fact that her two daughters, both now completed with their schooling, are able to do the unpaid household and related work.

The husband of Host 3, on the other hand would prefer work in the formal sector. He is now working, probably informally, for a local crèche – he picks up and drops off children and performs some maintenance chores – and assists with aspects of the block-making. His world has been shaped very much by formal sector work.

*Host 4* : Street vendor ; newspapers, food  
Facilitated by Nompiliso Gumbi and Makhosi Dlalisa  
Participants: Carol Richards and Francie Lund

## **4.1 Personal reflections**

### **a. Francie Lund**

For the Durban EDP, WIEGO's Carol Richards and myself were hosted by Host 4. Host 4 has four distinct occupations. She sells newspapers on a street corner. She runs two quite different stalls at the Berea Station, one where she retails modern goods, and the other where she makes and sells traditional ethnic clothing. And she cooks and sells takeaway food at the traditional-goods site. She was chairperson of the Self-Employed Women's Union (SEWU) branch at Berea Station, and is presently a central organiser of a volunteer group running a soup kitchen at a local clinic. Our facilitator, Nompiliso Gumbi, is herself a vendor, with a prime-site stall at the beachfront, where she sells to the tourists.

Host 4 lives in Chesterville, a township relatively close to the city centre. It was built in the mid 1940s: rapid African urbanisation in the 1930s had rapidly overtaken available housing, and Claremont and Chesterville were built as new family housing, under the control of the Native Affairs Department of the Durban municipality. Lamontville, Chesterville and Claremont were the three older Durban townships with strong campaigns against being incorporated in the KwaZulu homeland, and have histories of strong anti-apartheid and anti-Inkatha resistance.

Host 4 grew up in former Transkei, where she attained Standard Six (seventh grade) at school, then moved to Durban for work opportunities. She started living in Umlazi, but was too easily identified as a Xhosa-speaker in this conflicted township, so moved to Chesterville, where she bought her house for about R5000, and has lived peacefully here for ten years or so.

There are six other resident household members:

- M, her brother, who is also a trader, and who we were scarcely introduced to
- N, her daughter of 25, who is not employed. She wrote and passed matric, but did not get the required grade to enable her to study nursing.
- S'mamkele, 21, M's son (thus Host 4's nephew), who is in Standard 9
- M2, her oldest daughter's brother in law, about 22, employed as a cleaner. The oldest daughter herself is married and lives in Lusikisiki in Eastern Cape.
- S, Host 4's daughter and last born child, who is 9 and at school
- Y, N's daughter (Host 4's grandchild) who is 6 and at school

Host 4 pointedly said on a couple of occasions that she is unmarried, and that being unmarried affects her status.

An important segment of the extended family is her mother's household in Port St Johns in Eastern Cape. She is 75, has a farm, and is described by Host 4 as very active and lively. She lives with Host 4's sister, and a number of her sister's nine children. In that household, mother receives an Old Age Pension, daughter a Disability Grant (she got a late-onset mental illness), and daughter gets the Child Support Grants for four of the children. Host 4 visits twice a year, and says that the link with rural home is meaningful to her. The combined grants (adding to about R2400 a month) received in that household mean they do not depend on Host 4's Durban income for material help.

The house is a solid formal structure, with an open plan kitchen and sitting room, three bedrooms, bathroom with bath (no running water) and basin, and separate flush toilet. Carol and I shared Host 4's double bed in her room, while the sleeping arrangements of all the women and children were rearranged to accommodate us. The men stayed in their own room. There is personal privacy of a sort, though no ceiling (except in the toilet), so every sound anywhere in the house can be heard throughout. The house has electricity (using the pre-paid card system, and looking pretty precarious), running water in the kitchen and hand basin, and a garbage removal service. A number of the family have cell phones. Host 4 said that the installation of infrastructure in the last few years had made a positive difference to their lives.

The main working day spent with Host 4 was long – getting up at about 4 in the morning, leaving before 5, and home at about 6 in the evening. The main pressure in the household is around the use of the bathroom in the mornings and evenings, and Carol and I were graciously allowed to be first in the queue. The evening meal is the main one, and on both days, depended crucially on older unemployed daughter N's being at home to produce the meal.

The house was firmly locked up early; there was no visiting from or to neighbours. The exception was on the second morning (the public holiday) when we were wonderfully entertained by young S, Y and their friends, who did traditional dancing and singing for us. They have been part of a local neighbourhood dance group, run by a local teacher, and have performed at local functions, but the teacher has now left. Apart from this, we were, in a sense, in Host 4's capsule, with her family. We were told not to sleep with the window open, though it was burglar-guarded. I am not sure whether this vigilance about security, and the isolation, is something routine in Chesterville or whether it was related to our presence.

Host 4's ability to pursue her occupations in town depend vitally on affordable and reliable transport. The taxi route comes right past her house, and transport will be discussed further in the technical notes.

Host 4's main income earning occupation, on a regular basis, was the cooked food outlet, but she decided not to do this part of her work on the day that we were there – this may have been related to the fact that the next day was a public holiday - and this led inter alia to a lot of 'down-time'. We helped selling newspapers, Carol helped with dishes, we helped with preparing veggies and serving soup in the clinic; we accompanied Host 4 to her pleater, a shop selling Indian traditional apparel in Pine Street who specialised in this technique, which is also used as the basis for the African traditional skirts. We spent a great deal of time with the fascinating voluntary group at the clinic, making and serving soup, and learning the economics of that – see the technical notes. And we were exceptionally fortunate in accompanying Host 4 on the public holiday, as part of the environmental task team, on a walkabout which turned into a carefully strategised and well-managed confrontation between traders and an official from the city council – what Carol reminded us, used to be called 'an action'.

I found the Durban EDP experience personally inspiring as well as problematic, anxious-making as well as enriching. I will reflect on the comparisons with Ahmedabad in the technical notes. We were not, in fact, allowed to do very much work. In the home, N was in control of the kitchen, and on the first evening, while she

was cooking, there was much for Carol and I to go over with Host 4 and Nompiliso which there had not been time to clarify during the day. Thereafter there was little in the way of tasks that we were allowed to participate in. Facilitator Nompiliso's familiarity with the informal economy was an advantage, but brought with it her tendency to speak for Host 4, and about her own work, and we had to work hard to get past this to some of the details about Host 4's own life and work. We were fairly consistently dealt with (and not specifically by Host 4 but by her group, and by the facilitator) as rich women who might be able to bring resources to the group. Much of the time, I felt like a spectator, more than a participant.

## **4.2 Technical Reflections**

### **a. Francie Lund**

The host for our visit was Ms Host 4, who is 48, grew up in the former Transkei, with which she maintains close connections, came to Durban in the early 1990s, moving first to Umlazi township, and then to Chesterville. She passed her Standard 6 (seventh grade) at school, and is unmarried. Of the six resident household members described in the Personal Reflections, three are crucial to her diverse occupations – M., her brother, who is also a trader at the Berea Station; her 25 year old daughter N, whose domestic maintenance is central to the reproduction of the household; and S', 21, M.'s son, who is in Standard 9 (eleventh grade), and who covers for her at her sites during school holidays.

Host 4 was chairperson of the SEWU branch at Berea Station, before SEWU closed; has traveled to Pakistan and India; and is a founder member of the Senzokwethu Cooperative Limited.

### **A diversity of paid occupations – and networks and linkages**

Host 4 has three or four main occupations. She sells newspapers on a street corner, runs two quite different stalls at the Berea Station, one where she retails modern goods, and the other where she makes and sells traditional ceremonial clothes; and she cooks food for her takeaway food outlet at the traditional-goods site at the Station. In addition she is a central organiser of a volunteer group running a soup kitchen at a local clinic – more will be said of this later. Central to understanding her whole working life, and the connections between the different activities, is the Senzokwethu co-op.

The day starts with a taxi ride, before 5 a.m., from Chesterville into Warwick Junction. She walks a way to collect the pile of newspapers from a distributor about fifteen minutes walk away from the taxi drop-off, under the bridge near the station. She has secured a prime vending site from the point of view of 'passing feet', and shares it with VN, a co-op member, who sells her own home-made cake and banana bread and scones/ muffins – they sell like the hot cakes that they are. They do not pay for the site. Levied sites are a couple of meters away, and Host 4 and VN do not get harassed because they leave by the time the police come on duty at 8 a.m. If all the papers are not sold by the time Host 4 has to leave, Virginia takes over from her, or in the school holidays son S arrives to take over from her. Host 4 sells different papers on each day of the week, and the earnings from this part of her many occupations depend on the day of the week and which paper it is – *The Sun* has a limited circulation amongst the African community, whereas *Ilanga*, a Zulu paper, sells fast. She gets R30 or so from each bunch of paper sold. Thus at the beginning of each day, she can rely on a regular but small source of earnings.

Both her sites at the Station are under shelter, and are managed by Transnet, not the municipality. About 18 months ago, for three consecutive months she paid R120 a month for the main site, but has not paid anything since then for site rental, and says that she does not know why. At site Number 8 she sells contemporary goods, such as shoes, sandals, hats, socks, mirrors, bric a brac, which she sources from relatively

newly-arrived Somalian wholesalers, whom she maintains have cheaper prices than the South African Indian formal wholesalers who were their previous source. Most of the goods come from China. The Number 8 goods sell well specially at Easter and Christmas, when holiday makers come up from the Cape. One of the baseball-type caps already said 'Durban 2010' (referring to the coming World Cup football championship). Also on display at Number 8 is a small selection of her traditional craft work. Anyone who wants to see more then goes around the corner to her main site.

At this main site she makes, stores and keeps her craft work, mostly clothes. She cleverly specialises in a fusion of Xhosa and Zulu styles. In her elaborate beaded wedding skirts, for example, she mixes Xhosa and Zulu designs. She also puts modern slogans into traditional headdress. One had the popular motto of one of the cell phone companies, in Xhosa "Molo mhlambo wam" meaning "Good day my friend" woven into a handsome traditional Zulu Msinga-type headgear. She sells few such items, but fetches what she considers good prices. A small skirt sells for R150 or R200, a full skirt with much beading for R500. The pleating for these skirts is done by a formal retailer in Pine Street. She sells direct to the public, but also provides to a traditional craft maker in Ndwedwe (on Durban's periphery), and another down the south coast, who adds Host 4's work to her own.

This site for her traditional ware doubles up as her takeaway kitchen in the afternoons. There are two chairs and a table for those who wish to sit down and eat. Also operating from a corner of this site is B, a member of the Senzokwethu co-op., who sells tea and coffee. The tea and the cooked meals complement each other, and the two women cover for each other's absences. Host 4 sells her beef and chicken stew/curry at R12 and R13 a plate, and reckons on about 30 to 50 customers a day. She has regular customers: a number of them came while we were there and were clearly disappointed that she had not cooked that day.

### **Infrastructure at work**

In the Station Host 4's two sites are covered and the station is lit. There is a storage room leading off the site. It was impossible to establish how many have access to this room, and it is clearly a valuable asset, which appears to be controlled primarily by Host 4. There is a public toilet nearby within the station precinct. She and B each get water – 25 litres every two days for each of them, at R4 for 25 litres – from a tank down the street.

The taxi rank is a short walk from the Station, and a one-way fare is R4. I was interested in the comparison between this and the fare between my home in Glenwood and the Blue Waters hotel – a much shorter distance, which costs at least R50.

### **The Senzokwethu Cooperative Limited**

Note: Some of the information below is unreliable – it was very hard to pin down accurately the different activities of the co-op, and/ or the nature of the relationships.

A group came together in 2000 to share ideas about how they could make a living, and decided on craft work. Senzokwethu Co-operative was formally launched in May

2005 amid much fanfare – the mayor and deputy mayor attended the opening, as did the City Health department. It was very hard to establish the main initial motivations. A producer group of mainly craft makers and sewers was in place, then established a registered co-operative in order to tender for local government services. They wanted to apply for a tender for cleaning roads and railway lines. They have been unsuccessful in procuring government tenders; they say the tenders are all secured by much larger businesses.

The relationships between members are very dense, and every hour or so at her work place Host 4 interacted with one or other of the members. The co-op has formal procedures such as minute books, a bank account, and a grand banner, which was displayed at our meeting at the clinic. Host 4 described to us, early on the first day when she took us around the Station to meet various connections, how a number of the initial group had left the co-op, thinking they could make more profit by working for themselves. She introduced us to three such people who were sewing at their own sites at the Station, one person making Zionist religious apparel, one other sewing the *shweshwe* pinafore clothes.

### **Access to education and skills training**

Host 4 attended school in Transkei as far as old Standard 6. She has attended many courses since her formal schooling, for example a course in management training from MAKHO, organised by the municipality; a three week course about how to run a project, at Vukuzenzele Training and Learning Centre, a private organisation. She was voluble in her support for courses run by the municipality about cooking on the streets – she was very specific about the helpful things she learned from these (these health courses have been written up as case studies (Lund and Marriott 2005; Skinner and Lund 2005). Through SEWU and SEWA, Host 4 has visited India and Pakistan, where she learned about starting projects. Does she want to attend any more courses? No, she is tired of them now! The exception is that she would like to do one on tiling, so that she can tile parts of her house.

### **Banking , insurance and financial management**

Note: not all of the following situation financial management strategies is necessarily reliable – it was a complex picture, and there were language problems.

We know that banking and access to other formal financial institutions in South Africa is expensive, and a real constraint to people's ability to accumulate assets and to save securely. In the co-op group meeting we were told of the extortionate practices of the banks, who are seen as fundamentally untrustworthy. As one person said, 'There are criminals outside at the ATMs, and the bank itself rips you off inside.'

Host 4 has an account with Standard Bank, and she has one of the new Mzansi accounts, which are part of the current banking reforms (under the Financial Services Charter), and designed for poorer people. For example, they relax some of the common constraints to access, such as high opening deposit amounts. She has an account with Jet Stores (a kind of Sales House) and opening an account there led to her being offered the opportunity to open an additional scheme, a Charity Circle, to which she gives R50 a month. This is a form of lottery, which supports four welfare



organisations. Host 4 is there for the competition and the chance of prizes (a car, a trip to Europe). Her good record with her Jet Stores account for one year enabled her to get access to other accounts, and (I think) to the Standard Bank account. She says that a Jet account is a step towards access to formal banks.

Host 4, like so many South Africans, has not one but a set of policies covering funeral and life assurance. Through Jet she pays R34 per month for a funeral policy and life insurance policy, and it includes a lump sum payout, in the event of her death, to children under 21 years. Through Standard Bank she pays R32 per month for a funeral policy, which also covers a payout to two children under 21 years old. There was a third policy, through (I think) Sterns, which was for funeral cover only. In all then there were three policies for death and funeral. She had no insurance for loss of assets, and this mirrors the survey findings of Lund and Ardington (2006), where working people in a small town in KwaZulu-Natal had multiple death insurance, and no work insurance. Some years ago her one Station stall was robbed, and she says she has never recovered from this loss.

Her most trusted financial contact is a person Jack, who acts as an informal savings bank for her and others at Berea Station and elsewhere. Jack visits his clients daily (coming to their stalls). Host 4's savings book (a small jotter) reflects that she deposits R50 pretty well every day, and it seems she withdraws almost all of this towards the end of every month. Last month she withdrew R960, and he charged R40 for this. She insists this is very reasonable for what is described as his 'collection fee' – she and the facilitator would not allow this to be called the pejorative word 'interest', such as charged by the banks, and which are seen as extortionate.

### **Voluntary work – the clinic soup kitchen**

At least once a week, a large part of Host 4's morning is taken up doing volunteer work at the Prince Cyprian Zulu Clinic in Warwick Junction. The Senzokwethu co-op works in teams of three people, all of whom are informal workers, who prepare soup every week day for up to 500 outpatients at this centrally located STI, TB and HIV/AIDS health facility. The soup kitchen receives support from CAPRISA – the Centre for AIDS Programme of Research in South Africa.

[Note: CAPRISA is a UNAIDS Collaborating Centre for HIV/AIDS Prevention Research. It formed as a consortium involving UKZN, University of Cape Town, University of the Western Cape, Columbia University (New York), and the National Institute for Communicable Diseases. It is financially supported by the National Institute of Health in the States, the US Department of Health and Human Services, and the US National Institute for Allergies and Infectious Diseases. The programme is set to run between 2002 and 2007, according to its website. Newsletters feature inter alia Bill Gates and Brad Pitt as visitors; the emphasis is on prevention and vaccines; and the clinic is the site of a TB intervention which is trialling an improvement in TB drugs.]

CAPRISA gives the group R250 a week, or R50 a week day, for the ingredients for the soup, which they manage to feed 500 people with. City Health gives them 12 loaves of bread a day. They frequently add to this from their own pockets, and each person usually does duty once a week. This voluntary work is being undertaken by

relatively poor women workers, in the middle of a multi-million rand research programme. CAPRISA has in the past promised bus fares and other things, but this has not been forthcoming. The volunteers believe, and the nurse manager at the clinic agreed, that this soup is vital to the patients in terms of the medications they receive being effective.

The value of volunteer work is important, both to the giver and the receivers. It was bizarre and contradictory to witness the effort that went in, and the contribution of out of pocket expenses, from people who do not have much surplus. The co-op members say they could expand their work to other clinics, such as Warwick, Red Hill, Lamontville, but it would be too costly.

Why do they do it?

### **The Informal Traders Environmental Task Team**

Host 4 is a member of an environmental task team, composed of traders, which works with the municipality addressing environmental problems in the working environment on the city streets. There was a walkabout on the second day of the EDP, on the public holiday (which might have been organised to coincide with the EDP). The group did a walkabout with two main focuses. One was on the plight of the mostly rural women trading in face chalk from underneath a city bridge; there was a serious leak of water from the bridge straight onto their trading spots. The group organised a confrontation/hearing with the male leader of the association for traditional *muthi* traders, and put their demands to him. The other focus was to do with garbage removal at a trouble spot where rubbish needed to be cleared from behind trading spots. There was an impasse between the municipality and the formal traders as to whose responsibility it was to clear up. The informal traders were willing to do the work, but needed help with clearing equipment. A very competent and calm young official took severe flak from the trader leaders, and promised to pursue the matter. This is another of many examples of where Durban municipality has been willing to negotiate and engage in processes of consultation, but are losing sight of this and resorting to violent and brutal action (late June 2007).

Host 4, like Leelaben in the Ahmedabad EDP, knew how to use us for her environmental campaigns. I asked Mrs Zulu, the trader leader of the Informal Traders Environmental Task Team, if I could take photos of the water dripping from the bridge onto the traders' space, said 'Of course, that is what you are here for – we need this to be shown as much as possible.'

### **Linkages**

The two days with Host 4 showed that there were formal-informal linkages with every hour and every activity. The newspaper distributor supplying papers daily; the sourcing of goods from Somalian wholesalers; the formal garment retailer who puts permanent pleats in Host 4's material; Cambridge Butchery from which Host 4 gets her chicken and meat for the take-away business; the voluntary work inside the formal health service; the interaction with the municipality through the environment task team.

## Some of the big issues and puzzles, and the policy implications

- There was a striking density of relationships and networks, within the family and the co-op and with other traders at the Berea Station. I don't think the notion of 'social capital' gets at any of this, and it is hard to think of *economic* policies, let alone social ones, which can in a systematic way support such networks at the individual level. The support has to be through associations and organisations – and local government has a crucial role to play, as it is in the daily interactions between traders and local authorities that relationships get constituted.
- The volunteer work appears to be deeply gendered. There is a puzzle here: there is a tension between wanting to support and valorise volunteer work, but also insist that it is galling that it is not given more material support by the AIDS research consortium and/ or the municipality.
- There is going to be turbulence and tension around the allocation of resources and dividends from the World Cup in 2010, and a crucial issue is the control of urban space. Traders in Transnet sites and in municipally controlled sites are in different positions of power, with those trading from municipal sites possibly being more vulnerable (whereas we had thought they were more protected, in the past). The World Cup and such events do influence opportunities and constraints for traders. My sense in being with Host 4 was that the Berea Station traders may be less vulnerable, in the lead up to the 2010 Soccer Cup, than the traders operating in municipality-regulated space – what are the implications of this for the WCCA, and for our analysis of the public/ private ownership and management relationship?
- I am more convinced than ever that South African labour force data are not capturing economic activities adequately.

## In conclusion

It was enriching to have as a comparison the Ahmedabad EDP, where I stayed with Leelaben Patni, who was also a street vendor, and her family.

The most notable differences from Ahmedabad were the lack of a SEWA in South Africa in which to embed the experience; the presence of so much recent infrastructural provision in South Africa; the greater level of wealth among the South African traders; the lack of visiting in the neighbourhood; and how much more personally difficult it was to bridge differences of space and race and language and class.

Similarities with the EDP in Ahmedabad were the incredibly dense networks of relationships within the family and other traders; the noisiness of central city work; the dependence on a daughter's unpaid work at home; the length of the working day, though in both situations there were periods of down-time during the day; the amount of time it takes when there is poor infrastructure – fetching water, washing up cleaning things, visiting rather than phoning.

Being poor takes time.

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*Host 5* : Craft worker  
Facilitated by Mpume Danisa  
Participants: Gary Fields and Marty Chen

## **5.1 Personal Reflections**

### **a. Gary S. Fields**

In March 2007, I once again had the opportunity to participate in an extraordinary experience. For two days and nights, my colleagues (a collection of fourteen people from the United States, South Africa, and India) and I were divided into groups of two, and we spent two days and nights living in the home of a working person and his/her family. This Exposure and Dialogue Program (EDP) repeated a similar one in Ahmedabad, India three years ago. Like the India experience, we followed the home stays with an academic-type conference about what our impressions were and what lessons they carried for policy. But there were two significant differences from the India experience. First, our hosts were with us for the entire follow-up conference to the extent that their work schedules permitted them to participate. (They were so poor that several could not afford to forego the income.) And second, most of us participated in a day-long conference with the government to discuss government policy as informed by our on-the-ground experiences as well as our reading and, for many, previous work on the South African labour market.

Our host was a woman, Host 5, who looked to be in her late forties. I was partnered with Marty Chen, who lectures at Harvard and heads WIEGO (Women in Informal Employment: Globalizing and Organizing). Marty and I were accompanied by Mpume Danisa, a graduate student in development studies at the University of KwaZulu Natal, whose job it was to facilitate our home stay and interpret between English and Zulu. The family lives in the village of Isithumba in the town of Inchanga. Isithumba is an hour and a half from Durban by public transportation (what South Africans call taxis, which actually are privately-run mini-buses). It is located in the beautiful Thousand Hills area.

Like many of the other hosts, Host 5 is a woman of exceptional strength. She knows what has to be done to meet her family's economic and nurturing needs. On the economic side, she works at her beadwork and at making shields, as well as all of the tasks in the home that are required when people are poor. On the nurturing side, she takes good care of her husband and their children (ages 22, 15, and 9). Her husband works six days a week as a gardener for a white family near Durban. Normally, he stays there from Monday morning through Saturday afternoon, but because the last day of our home stay was a holiday, he returned home the prior evening.

All of this work and nurturing results in a home in which the important material needs (including food, clothing, shelter, and school fees) are met, in which everybody contributes cheerfully and without being asked, and in which there is a level of interpersonal comfort of a type I have witnessed all too rarely.

The family home is actually a compound. The main building is a rondavel (a round house built in the traditional Zulu style), in which the husband and wife sleep and where the family has its meals and watches television. It is furnished with two wardrobes, a bed, and a table and chairs. The older son has his own small, square single room, where he sleeps and keeps his books and other possessions. Then there is an L-shaped room which houses the kitchen (electric stove, fridge, shelf for pots, pans, and dishes), a sink for washing, and a tiny room for the middle child. A covered

workspace houses the workshop for the family's shield-making activity and the men's mechanical work. A larger main rondavel is under construction. Finally, they have an outdoor kitchen sink for dishwashing and a latrine. Each room has electricity. A non-functioning ancient Audi graces the "lawn."

The family lives well for a poor family, both by South African standards and by the standards of the poor in other countries. In the last five years, the government has installed electricity, running water, and a state-of-the-art latrine. Earlier on this trip, my wife and I had spent time in a village where these services had not yet been provided, and so we were able to experience first hand what a difference it made for the people when these services are present. The husband rides a motorcycle to and from his place of work – a rarity in this village and in South Africa more generally.

Economically, the family is always living on the margin. We took a walk to the village shop. It was about ten minutes by foot down to the shop and about fifteen minutes back up. The day was hot, so I treated everyone to ice creams. They cost a lot by local standards (5 Rand, which is about 70 U.S. cents, more than Host 5 earns in an hour). Though they didn't say so, ice cream appeared to be a rare luxury for them. Also, I was touched to see that when we weren't looking, Host 5 gave most of her ice cream away to her nine year old son.

During our stay, Host 5 and the rest of her family made us feel most welcome. Everyone was naturally shy at first, but we all did what we could. My ineptness at beadwork quickly became apparent. In four hours, I was able to complete only an inch. By contrast, Host 5 makes a six inch-long bracelet in about an hour. I quickly found my comparative advantage – doing dishes, of which there were a great many. Maybe I misread the situation, but it seemed that everyone found a certain amount of humor in a grey-haired white man being so occupied, but that was about the only useful thing I could do to help out, and I was glad to do it.

The only mildly disappointing aspect of the trip was that when we returned to Durban, Host 5 and the other hosts felt more comfortable sitting by themselves rather than mixing with us, both at meals and during the conference. After a while, we saw that and let them do what made them comfortable.

It has become a tradition with our group to have a music night each time we get together. This time, the Western music we had planned was quickly eclipsed by energetic and lively Zulu songs and dancing, often with beautiful harmonies. The evening was a lot of fun for all involved.

In all, it was a truly great and unforgettable experience. I am privileged to have been able to have had it.

## **b. Marty Chen**

### **‘A Zulu Family In The Valley Of The Thousand Hills’**

“There is a lovely road that runs from Ixopo into the hills. These hills are grass-covered and rolling, and they are lovely beyond any singing of it. The road climbs seven miles into them, to Carisbroke; and from there, if there is no mist, you look down on one of the fairest valleys of Africa. About you there is grass and bracken and you may hear the forlorn crying of the titihoya one of the birds of the veld. Below you is the valley of the Imzimkolo, on its journey from the Drakensberg to the sea; and beyond and behind the river, great hill after great hill; and beyond them, the mountains of Ingeli and East Griqualand.”

"But when the dawn will come of our emancipation, from the fear of bondage and the bondage of fear, why, that is a secret."

Alan Paton, *Cry, the Beloved Country*  
(from the opening and closing paragraphs)

We wind our way through the hills to the village of Isithumba. There is no mist. It is a clear and beautiful day, unseasonably cool. The hills descend in long cascading parallel rows from high ridges. Occasional outcroppings of red boulders and cliffs shine in the sunlight against the dark green background. Village settlements – scattered single story square, rectangular, and round buildings surrounded by red earth – scar some of the hills.

As I sit in the back corner of a mini-bus, crowded in next to Gary Fields (fellow guest) and Host 5 I think of Alan Paton who introduced me (and countless others) to the haunting beauty of this area and the evil cruelty of apartheid through his remarkable book *Cry, the Beloved Country*. Lost in thought, I am brought back to the present by the sound of the word “EDP”. Host 5 is telling fellow bus passengers who Gary and I are and what we are doing on a mini-bus in the Valley of Thousand Hills: she speaks in Zulu and the only word I understand, which she repeats quite often, is “EDP”. I think of Karl Osner, the founder of the Exposure Dialogue Program (EDP), and how delighted he would be to hear “EDP” being discussed in a mini-bus hurtling down a mountain road in rural KwaZulu-Natal.

We get off the mini-bus at Isithumba – a small settlement of houses scattered up the sides of the hills on either side of the road. We follow Host 5, and two of her children who have come to greet us, up a dirt road and onto a small steep track alongside a gully. At the top of a bluff with a view to either side we arrive at a compound of several buildings. This is Host 5’s home where she lives with her husband, B, and their three children: a son Z (age 22), a daughter T (age 15), and a second son T (age 9). The extended family includes a dog, a tiny kitten, a goat, some chickens, and a rooster.

The first building we come to is L-shaped with three small rooms: a kitchen, a wash room, and a tiny bedroom where T. sleeps. Opposite is a small square single-room where Z., also called Clement, sleeps. Further up the path, to the left, there is a small covered work shed: where B. and Z. make Zulu shields and do odd mechanical work.



Parked nearby is an old Audi car whose trunk and interior are also used to store equipment and gear. It is not clear whether B. and Z. plan to repair and restore the Audi one day or whether it will remain as it is - a status symbol-cum-storage unit. Below the parked Audi, opposite the work shed, is a half-completed roofless round house.

At the top of the path is the main building – a round house or rondavel. B. built the rondavel in traditional Zulu style: mud-block walls, tree pole rafters, and a tin roof with 1 door and 2 glass-paned windows. The inside is painted blue; the outside is unpainted, mud-coloured. This is where Host 5 and B. plus their younger son, T. sleep. It is also where the whole family congregates for meals, to watch TV, and simply to be together. There is one single bed (where I am to sleep); the other has been moved to the [second] hut for Gary to sleep on. There are 2 wooden closets with drawers, a side table with lace cover, a metal dining table with lace tablecloth, 4 metal chairs and 1 wooden chair, a spotlight, an electric clock (shaped like a teakettle), and a TV (occupying pride of place on the table with a lace cover). Two foam mattresses, curled up in plastic wrapping, are in one corner: these have been specially bought so that Host 5, B., and T. will have somewhere to sleep while Gary and I occupy the two beds. Hanging on the wall are 5 large and 5 medium-sized Zulu shields and a Zulu headdress for a Zulu bridegroom (made to look like the eyes and ears of a panther with a tail of a panther down the back): all made by B. and Z.

#### *Infrastructure -*

All of the buildings have electricity. There is a piped water connection to the sinks in the kitchen and washroom. Host 5's son was installing an overhead shower in the washroom when we arrived: he later dropped one of his tools which broke off a corner of the washroom sink. As far as I could tell, everyone accepts this damage to what is clearly a prized possession – a ceramic sink – with equanimity. There is a latrine stall, without a water connection, off to one side of the compound. All of these amenities – electricity, water, and latrine – have been installed over the last five years by the provincial government. Host 5 used to spend many hours each day collecting firewood from the nearby forest and collecting water from a creek below the main road. The first evening we accompanied Host 5 to the forest to collect a special kind of twig she uses in making Zulu craft: our task was pleasant, not onerous. And, the next day on the way to the one local store, Host 5 showed us the creek where she used to fetch water. It must have been an arduous climb back up the hill to her house carrying water. I feel very relieved for her that she no longer has to make that arduous climb carrying water every day. I also feel a personal mix of relief and guilt as, had Host 5 still been fetching water each day from the creek, we would have joined and helped her as part of the Exposure.

#### *Income Sources -*

Host 5 makes Zulu bead jewellery and other Zulu craft, skills she learned from her mother. From 2001-2004, she sub-let a small stall at the Durban beachfront. During those years, her working days were very long. Sometimes she would return home after the last bus to Isithumba and would get dropped off at a bus stop to the other side of the nearby forest. She would have to walk home in the dark through the forest. Other times, she would spend the night in Durban: renting a space in a parking garage that offered toilet and shower facilities (when we returned to Durban, Host 5 pointed the building out to me). Now, she takes her beadwork and other craft into Durban

two or three times a month where she sells them to wholesale and retail traders. A local leader, Host 5 has started a crèche with two paid attendants and 18 children. The land for the crèche was donated by the local chief. Host 5 has applied for registration of the crèche as a non-profit institution under the Department of Social Policy.

B. and Z. make Zulu shields, a skill that B. learned from his father. B. confided that he did not enjoy making shields as a child and had no idea he would end up making them for a living as an adult. They make the shields out of either deer/buck hides (which are more valuable but not readily available) or cow hides. A year ago, through a friend, B. got a job as a gardener for a white family in the nearest town, Pinesville. He works there six days a week, staying in town, and returns home on Saturday night for a 24-hour visit.

When asked about the elections in 1994, B. commented: “I was very happy to vote. But what have we gotten? We have gotten electricity, water, and toilets. But what are we supposed to do, turn on the lights, look at each other, and drink water? How are we to get food?”

#### *Financial and Social Capital –*

Host 5 and B. have two savings accounts: one at the post office, the other at a bank. According to them, among the Zulus, there is more reciprocity within the family than within the community. For instance, Host 5 and B. helped pay for her sister’s daughter to go to nursing college. There is a community burial society. But if a household defaults on its monthly premiums, they are not entitled to benefits.

#### *Education –*

Host 5 and B. both had some education: I’m not sure how much. Their eldest son Z., who is 22, dropped out of school for five years due to health problems. He is now studying at a private “finishing” school in Durban (the fees are 5000 Rand per annum). Their daughter T., who is 15, also studies (grade 10) in Durban at a government school called Chatsworth (the fees are 650 Rand per annum). Their youngest son, T. goes to the local school. But his teacher had not shown up for the past several weeks – so he stays at home throughout our Exposure visit.

#### *Daily Routine –*

Host 5 rises early each day – around 5:00 a.m. - to see her daughter and eldest son off to Durban for school. Her younger son wakes around 7 a.m. For breakfast, they have tea plus bread and butter or porridge. After cleaning up after breakfast, Host 5 starts her bead and craft work – sitting on the floor of the main rondavel. Several times a week, she walk downs to the local grocery store – just off the main road about 100 yards from the bus stand – to buy supplies. And, several times a week, she goes to the edge of the nearby forest to collect the special twigs (from a bush) that she uses to make mini-sized Zulu shields. After she returns home from school, her daughter T. often makes dinner. When we were there, T. prepared beef stew and rice with coleslaw one night and chicken stew the other night. The second night, Host 5 made Zulu steamed bread: yeast dough left to rise, moulded into large balls, and then steamed in a large pot over an open wood fire.

*Politics –*

B.'s father, Host 5's father-in-law, was a local African National Congress (ANC) activist who was jailed for some time in Pietermaritzburg by the National Party. In the 1980s, there was increasing tension and violence between the ANC and the Zulu national Inkatha Freedom party in rural Kwa Zulu Natal. Some of B. and Host 5's relatives and friends were targeted by Inkatha party activists. When the violence intensified, Host 5 and her husband decided to move to where they live now – which is an all-ANC village.

*The Exposure –*

It was an incredible pleasure and privilege to be able to spend two days and two nights with Host 5 and her family. Having been introduced to South Africa through Alan Paton's landmark book at a young age, and having sympathised with the anti-apartheid struggle from a distance for many years, I would never have imagined that I would spend time with a Zulu family, staying in a Zulu hut, in the Valley of Thousand Hills. Watching this quiet dignified family go about its daily chores, each person clearly aware of his or her responsibilities and in tune with the other members of the family, was quite remarkable. They incorporated Gary and me into their daily routine with little ceremony or fuss and with no self-consciousness, as far as I could tell.

But I felt Gary and I got off too lightly – nothing about the Exposure was difficult. Host 5 does bead work, which is intricate but not physically demanding. Gary and I clearly did not live up to her expectations when it came to bead work. She expected that each of us would complete a bracelet in one day. As she watched us try to get the hang of the technique and design, she soon changed her plan and had us each complete a short strip of bead work – a couple of inches – with the design of the South African flag. Also, Host 5 and her daughter did not want us to do household chores. The first morning, Gary decided that he would tackle the large stack of dirty dishes and pans outside the kitchen. I helped fetch hot water and set up a bucket for rinsing the dishes. But dishwashing became his task. I hung around inside the kitchen and was allowed, occasionally, to stir the stew or porridge or whatever was being cooked. I also pitched in to help with the steaming of the Zulu bread. But I clearly did not do my share of cooking or household chores. Moreover, Gary and I each had a bed to sleep on – with special sheets, we later learned, that had been purchased for the Exposure. And there was a private latrine nearby. So the accommodation and facilities were comfortable and convenient. And the weather was cooler than expected.

Further, we had a remarkable translator and facilitator with us – Mpume Danisa, a Zulu student at the School of Development Studies at the University of Kwa Zulu Natal. Mpume had made several prior trips to Host 5's home to check the living arrangements and drop off supplies. Her energy, good humour, and interpersonal skills helped bridge the language and cultural gap between our host family and us, the visitors. During the Exposure, Mpume learned that the mother of a close friend had died. We encouraged her to go see her friend or take some rest, as she was clearly distraught. After a short rest and nap, Mpume bounced back – and remained our cheerful and helpful guide for the duration of the Exposure.

## 5.2 Technical reflections

### a. Gary Fields

Last month, I once again had the opportunity to participate in an extraordinary experience. For two days and nights, my colleagues (a collection of fourteen people from the United States, South Africa, and India) and I were divided into groups of two, and we spent two days and nights living in the home of a working person and his/her family. This Exposure Dialogue Program (EDP) repeated a similar one in Ahmedabad, India three years ago. Like the India experience, we followed the home stays with an academic-type conference about what our impressions were and what lessons they carried for policy. But there were two significant differences from the India experience. First, our hosts were with us for the entire follow-up conference to the extent that their work schedules permitted them to participate. (They were so poor that several could not afford to forego the income.) And second, most of us participated in a day-long conference with the government to discuss government policy as informed by our on-the-ground experiences as well as our reading and, for many, previous work on the South African labour market.

I came away with five major insights, only one of which (#5) I had had previously:

*South Africans seem to have a sense of what employment, work, and job mean that differs from international usage.*

*From talking to people during the EDP, I now have my doubts about whether the unemployment rate in South Africa really is 26% by the narrow definition or 40% by the broad definition.*

*South Africa's informal sector cannot be characterised as a free-entry one. Rather, barriers to entry are pervasive.*

*The discussion in policy circles about the 'second economy' is based on an unclear notion and a mistaken assumption.*

*Policies are needed to actively nurture the informal sector as part of a national anti-poverty strategy.*

I would like to elaborate a bit on each of these points.

#### **South Africans seem to have a sense of what employment, work, and job mean that differs from international usage:**

The convention in international labour statistics – in particular, those promulgated by the International Labour Organisation (ILO) – is to define labour force, employment, and unemployment in specific ways. Labour force (which is equivalent to economically active population) is defined as those employed plus those unemployed. The ILO classifies a person as employed if in the preceding week s/he i) worked one hour or more for pay, or ii) worked fifteen hours in a family business or on a family farm not for pay. A person is said to be unemployed if s/he i) was not employed and ii) actively looked for work.

On our EDP, we met or heard about many people who regarded themselves as unemployed. One man, who looked to be in his forties, told us that both he and his wife were unemployed. They had no children nor elderly person in their home, and so presumably they received no transfer income at all from the government. When we asked how they got by, he told us bit by bit about several activities. He is a bishop in his church, which has 200 congregants. Some of them contribute to the work of the church. He is also a traditional healer. Sometimes those who can afford to give him money for having cured them. His wife does beadwork, which she sells in the African Arts Centre. Yet, despite these various activities and modest sources of income, he insisted that they are unemployed. When we asked him what it means to be employed, he was crystal clear: “You are employed when you have a steady job that pays you every Friday.” He said also that working or having a job mean exactly the same thing to him that being employed does. Although they consider themselves unemployed, he, his wife, and others like them would be classified by international standards as employed.

**From talking to people during the EDP, I now have my doubts about whether the unemployment rate in South Africa really is 26% by narrow definition or 40% by the broad definition:**

The Labour Force Survey, from which the unemployment rate is drawn, asks a number of questions about work and economic activity in the preceding week. The survey states that respondents are supposed to answer “yes” if they spent even one hour doing any of a number of things. However, given how South Africans think about work, if they are asked “Did you spend even one hour working by doing X,” maybe they are not thinking of the time spent as work. This is an issue that would require a serious technical study to resolve.

**South Africa’s informal sector cannot be characterised as a free-entry one. Rather, barriers to entry are pervasive:**

For a number of years, I have been puzzled about what the right model is of the South African labour market. The standard models – integrated labour market, Lewis, Harris-Todaro, and my own early informal sector model – are inconsistent with South African reality. But what a better model would be for South Africa has long eluded me.

After the EDP, I continue to think that much of my earlier thinking was right. Why do people work in the informal sector? The traditional answers are that there are not enough jobs in the formal sector for all who want them and could do them and that working in the informal sector and earning some income is better than being unemployed and not working at all. I concur with these judgments.

Now, though, I think I have finally understood what needs to be in a more apt model for South Africa. It is that those who are unemployed and who would like to earn cash but are not able to find *any* informal activity in which it pays them to work. The standard way of modeling the informal sector - as a free-entry sector where all who wish to earn something can do so – is wrong for South Africa.

The most important reason is the extensive regulation of informal activity. We were told that street traders are banned entirely from central Johannesburg and that the number of street trader licenses is strictly limited in Durban. Thus, if a poor person

wanted to, for example, save up to buy a cooler of ice creams to sell on the street, s/he would not be permitted to.

Other factors play an important role here as well. For historical reasons, the poor live quite far from where those who have the purchasing power are located. Transport costs are high – it costs as much to take a taxi in South Africa as it does to take public transportation in Ithaca or Boston, where incomes are many, many times higher. Then too, research has shown that crime is a major barrier to entering self-employment. Interestingly, this takes the form of people being afraid to set up their own activities for fear that if they are successful, they will be targets for robbery or “protection.”

All in all, a costly-entry model is needed to replace the traditional free-entry one. One of my tasks for the summer will be to start work on such a model.

**The discussion in policy circles about the ‘second economy’ is based on an unclear notion and a mistaken assumption:**

The unclear notion is that despite the advisor to the President, Alan Hirsch, telling us that whatever the ‘second economy’ is, it is *not* the informal sector, neither I nor anyone to whom I spoke could tell what the ‘second economy’ *is*. We can talk about the ‘second economy’ all we want, but until we can define it or, failing that, characterise it, we cannot have a very satisfactory dialogue.

The mistaken assumption is that the ‘second economy’ is structurally disconnected from the ‘first economy’. International experience has shown that there are many links between the informal and formal economies. Among them are the following:

- Numerical importance of work in the informal economy overall.
- Particular importance of work in the informal economy as essential to the survival strategies of the poor.
- A large pool of potential workers for the formal economy.
- On-the-job search for formal employment.
- Informal economy as part of the formal economy supply chain.
- Informal economy selling goods and services to consumers in the formal economy.
- Informal economy as a market for formal economy goods.

**Policies are needed to actively nurture the informal sector as part of a national anti-poverty strategy.**

The South African record on economic development and policy reduction is one of impressive progress. At the same time, much more remains to be done.

In the 2005 elections, the ANC ran on a campaign of “fighting poverty, creating jobs.” How can the government deliver on that promise?

A realistic goal is for South Africa to strive to eliminate poverty by today’s standards. From international experience, there are two main pillars of an anti-poverty strategy: Improving earning opportunities for the disadvantaged, be they wage employees or self-employed, be they in the formal economy or the informal economy. Basic social services for those who do not yet have them.

In view of these linkages and goals, what should government's policy stance be regarding the informal economy?

Recognise that for many millions of South Africans, working in the informal economy is the only alternative to not working at all.

Release the untapped entrepreneurship contained in the informal economy + encourage new initiative and creativity.

Nurture the informal economy; don't legislate against it.

Where cost effective, adopt measures to enable the poor to earn their way out of poverty in the informal economy.

Where cost effective, adopt measures to create more and better earning opportunities in the formal economy.

In conclusion, I came away from this EDP with a renewed sense of commitment to the South African development enterprise. Many thanks to those who made it possible.

## **b. Marty Chen**

Over the past five years, I have had the privilege and pleasure to get to know something about the urban informal economy in South Africa through WIEGO colleagues and friends in Durban/eThekweni. And I have made a one-day rural field trip in South Africa: to a Bantustan township in rural Limpopo province. But the Exposure visit to rural Kwa Zulu Natal in March 07 was my first in-depth field visit in rural South Africa: two days and two nights with a Zulu family, together with a US colleague, Gary Fields. It was eye-opening in many ways.

In this note, I will try to make the links between what I saw and heard and the unemployment and informal economy debates in South Africa. I will end with some thoughts on an appropriate policy response to the informal economy in South Africa.

### **Unemployment in South Africa**

I came away from the Exposure with two distinct but related perspectives on the unemployment puzzle in South Africa. The first is that some of the reported unemployment *is not real* but due to a) perceptions of what being employed means; and b) under-reporting of informal activities. The second is that much of the unemployment *is real* as there are so few employment opportunities.

#### *What does being employed mean?*

For historic or other reasons, most South Africans identify being employed with having a job with a regular pay check. During our Exposure, the uncle of our host came to visit: a distinguished bearded gentleman with glasses who spoke good English. When we asked what he does, he said that he was unemployed. When we asked what his wife does, he said she was unemployed. When we asked whether they had children or whether any elderly person lived with them, he said no. We confirmed that they did not, therefore, receive either a child assistance grant or an old-age pension. When we asked how they managed to put food on the table, he told us what he and his wife do. He is a bishop in a local Zionist church and a Christian healer who often gets paid in cash or kind for his services. His wife makes bead jewellery which she sells to the African Art Center in Durban. When we asked why he said they were unemployed, his response was quick and clear: “Being employed means having a steady job with a regular paycheck every Friday”. He went on to say that when you do something but your earnings are uncertain – one day you sell and earn, the next day you do not sell or earn – you are unemployed. During our Exposure, three people reported having a steady job with a regular paycheque: our host’s husband who works as a gardener for a white family in Pineville, a neighbour who worked in a factory in Pineville, and a neighbour’s husband who works for the Electricity Board.

#### *What kinds of informal activities go unreported?*

During our exposure, we saw or heard about several kinds of informal activities that go unreported:

- traditional healing: Zulu and Christian
- firewood selling
- grass selling for thatch roofs
- traditional construction work: e.g. mud plastering



- Zulu craft production: beadwork, shield-making, wood-carving
- cow rearing
- hunting

South African colleagues showed us the section of the labour force survey that contains questions that, if properly asked with all of the examples to prompt responses, should uncover these activities. However, another South African colleague said he “shadowed” some labour force survey investigators and they did not use the examples to prompt responses.

*What kinds of work are available?*

Although there are some problems of under-reporting, the bigger and more important challenge is that there are few employment opportunities available. There was little sign of subsistence farming in the area that we visited. When we asked why more people weren’t farming the empty plots that we saw, we were told that the land belongs to a tribal trust, that there is no irrigation, and that people do not have time. Some people raise animals, some hunt animals. But the only non-farm self-employment that we saw was craft production.

**Informal Economy in South Africa**

The informal economy in South Africa is smaller, as a share of total employment, than elsewhere in sub-Saharan Africa. In part, this is because the informal economy is narrowly defined as including self-employment and excludes domestic work and other informal wage employment. In part, this is because there are real barriers to taking up informal activities in South Africa.

*Barriers to Entry*

One of the striking and fundamental legacies of the apartheid era is the spatial and racial divides between central business districts, suburbs, and townships. Other than Durban/eThekweni, which has made real attempts to retain an African feel to the city, the central business districts in most cities and towns of South Africa are surprisingly “white” with little space or tolerance for small black-run businesses. I knew about this before the Exposure.

What I hadn’t realised was the impact of the Apartheid era on rural farming and subsistence. One dimension of the social engineering during the apartheid era was to discourage small farming by African households, as part of the effort to recruit workers for the mines and other industries. Clearly, I don’t know the full story. But the net effect seems to be that farming in South Africa is large-scale farming, farm products go directly to large commercial processing and packing units, and are then sold back to rural shops. When we visited the local store in Isithumba, I was struck by three things. First, all of the products were packaged in modern commercial packaging: the cake flour that our host bought was packaged in just the same way as the cake flour I buy in the USA. There were no gunny sacks or open bins with loose products. Second, all of the products were stored on shelves behind a counter with a protective metal grill between the customer and the shopkeeper. Third, outside the protective grill were three sources of temptation: an ice cream cooler, a ceiling-high glass refrigerated unit with beer and other drinks, and a video game. But the first observation is the important one – there were no rural products being sold directly in

this rural shop – all had been imported from commercial processing and packaging units in the cities.

#### *Discouraged worker effect*

For those who live in the villages or in the townships, there are limited local opportunities for entrepreneurship. Yet the central business districts, where there is more market demand, are highly regulated and far away. Many cities ban street trading, for instance, in the central business district. A remarkable exception, which we visited, is the Warwick Junction precinct of Durban/eThekweni where a natural market around the major transport node has been supported with capital works and area planning.

Compounding the distances involved is the fact that public transport is quite costly in South Africa. We took one bus and three mini-vans to make the 1.5 hour drive from Durban to Isithumba village: it cost us the equivalent of US\$ 2.25 for a one-way fare. If you know that you will have to spend the equivalent of US\$ 4.50 to get to and from Durban, and you're not sure how many craft or other products you can sell, there is a real disincentive to trying to be entrepreneurial. The same would apply to the person who might want to go to Durban in search of a wage job.

In sum, the common assumption that informal activities are easy- or free-entry does not hold true in South Africa. Given this reality, there is a need for policies that recognise, promote, and support the informal economy. What follows are a few thoughts on what such a policy response might include.

### **Policy Response to the Informal Economy in South Africa**

#### *Adopt a Supportive Policy Stance*

- the informal economy is here to stay in South Africa and elsewhere
- the informal economy contributes to the economy: to both GDP and employment growth
- there are high costs and barriers to entering the informal economy in South Africa, given the spatial and institutional legacy of apartheid
- the informal economy is often linked to the formal economy:
  - backward and forward production and distribution linkages
  - churning of jobs between formal and informal
  - subsidy of informal self-employment by formal wage employment
  - informalisation of once-formal jobs: e.g. conversion of formal jobs to contract jobs
- the informal economy should be the target of economic as well as social policies
- most economic policies affect the informal economy whether targeted or not
- informal workers should be represented in the policy process

#### *Reduce Costs and Barriers to Informal Self-Employment*

- micro-finance and targeted formal finance

- sector-specific support:
  - business development services, including technology and marketing
  - promotional and incentive packages
- promotion of backward and forward linkages with bigger businesses: e.g. outsourcing to rural family units
- targeted government tendering: e.g. cleaning services, supplies to government institutions, school uniforms from small garment units
- support to street markets: on model of Warwick Junction in Durban-eThekweni\*
  - (including natural markets around transport nodes)
- inclusive urban planning (zoning, land use, infrastructure, transportation, licensing) for the working poor, including: street vendors, home-based producers, and waste collectors
- promotion of rural-rural trade
- subsidised transport
- extension of basic infrastructure: water, electricity, and toilets
- recognition and support to organisations of informal producers and traders

\*Warwick Junction Model in Durban-eThekweni: capital works/infrastructure plus support to different types of vendors including...

Traditional medicine vendors – backward and forward linkages

Cardboard waste recyclers – buy-back centers

Mealie vendors – centralised cookers using husks for fuel

Bovine head cookers – water supply, drainage, and other infrastructure

#### *Provide Legal and Social Protection to Informal Workers*

- public works, including child care schemes
- micro-insurance, especially for business-related property
- extension of formal insurance to informal workers and businesses, including support to informal savings and insurance mechanisms
- legal protection against “informalisation” of formal jobs
- extension of social protection to other categories of informal workers (as has been done for domestic workers)

#### *Promote Skills for and Access to Formal Jobs*

- skills training, including computers and health care
  - including targeted extension of existing training schemes (e.g. SETAs)
- job matching and labour-market information, including for government jobs
- subsidies for job search

Host 6: : Barber

Facilitated by Gaby Bikombo

Participants: Françoise Carre and Donna Doane

## **6.1 Personal Reflections**

### **a. Françoise Carré**

Host 6 has lived in Durban for 10 years. He came from the Kivu region in East Congo; his town is a port city on lake Tanganika. The town is named Uvira and near Bujumbura in Rwanda.

Host 6 first came alone; his wife and children joined him in Durban about 4 years ago. Host 6, his family, his friends and acquaintances, and our facilitator Gaby Bikombo, are all refugees from the two multicountry wars that have been waged in Eastern Congo (most recently in 1994). Because their town is a harbour, it has been contested terrain for competing armies including rebel armies (e.g. the MaiMai). The town has been bombed--the hospital in particular. Host 6 left because it became impossible to make a living and to avoid the life threatening risk to males of being drafted into one of the armies or caught in the fighting.

It is not possible to give a sense of the life of Host 6, his family, and community without talking of the refugee experience in South Africa. In many ways, I felt like my and Donna Doane's responsibility was to make visible the many ways in which life is harder for a foreigner refugee in Durban and South Africa as a whole, in addition to being difficult simply from being away from home, having lost very much, and having gone through many trials and sorrows.

But first, his family and his life.

Host 6 is 46 years old and strong. He married J. K. when they were in their very early twenties. They have a beautiful family with two daughters and four sons. The eldest daughter lives in the Free State province, married to a Congolese. The youngest daughter B. ("luck") is a beautiful, healthy, baby, born after the family was reunited in South Africa. She is on the verge of uttering her first words.

The sons, S. (15), R. (13), L. (12), and N.(10) all go to school.

J.'s two sisters, J2.and G., as well as J2.'s young daughter K., live with the family.

The household also includes a boarder who is a fellow Congolese as well as a temporary resident, a very young refugee from Kivu, who has just arrived.

Host 6's family speaks Swahili, the primary language for intergroup communication in East Congo. In Congo, he spoke French and now he and his children speak English fluently. J. who does not have as much exposure to life outside the home speaks primarily Swahili.

His family feels very close, tight knit, and very loving toward each other. The older children mind the baby and play with her. They have duties and responsibilities. They must also come home immediately after school; the streets of Warwick Junction are not safe.

Host 6 was a primary school teacher in Congo. In Durban, he has made a living as a barber at a main intersection in Warwick Junction. His booth is large and very accessible to 'foot traffic'.

Host 6 also is a pastor for a Pentecostal congregation of Swahili speakers, mostly refugees from parts of East Africa. The community rents space in downtown Durban shopping area. We went to visit it during a meeting of the youth group. When we asked what the pastor work meant for him, whether it was to prepare for a new career, Host 6 said “it is for my life.”

A strong family, his children’s wellbeing and education as well as a strong commitment to his church congregation are the beacons of Host 7’s life. In his community of Congolese barbers, he is a leader, one with long standing experience in Durban and in barbering. He is the treasurer of the street barbers association, Siyagunda.

Host 6 is the primary provider for the household. His two adult sisters-in-law have yet to find paid work. One of them apprentices with a seamstress who so far has refused to compensate her for her work and time.

What follows are a few key themes that I use to convey some of the primary elements of Host 6’s life and work.

First, as just discussed, is his family (and the Congolese refugee community).

Next is being the outsider. The Congolese refugee community is a small community in a very large country. In Durban, they are a small group. In the country as a whole, there has been limited experience with immigrants, with organizing structures for immigrants, let alone refugees from war, death and destruction.

Being a refugee means almost everywhere that one’s degree, professional or vocational certification will not be recognised. Policies for setting “equivalency” between certifications do not exist unless an immigration flow is steady and large. Host 6 cannot teach secondary education in urban areas and Gaby who is an agronomy engineer cannot practice his profession. In education, those with foreign credentials are considered only for the most risky assignments in isolated rural areas where teen pupils are considered very unruly.

Life is harder when one is a refugee, coming to SA with little, and finding no formal resettlement programmes and help. It impacts the work one finds, access to resources and even the living expenses one incurs.

Life is also harder simply for being a foreigner in South Africa. It appears that SA institutions are simply not set up to accommodate non-citizens. The most striking obstacle is the expectation in all public administrations that the primary means of access to registration for services be the “green ID”, the SA ID. Whatever the central policy maybe regarding refugees—and officially SA accepts East Congolese fleeing the war as refugees (at least until the recent year)—the word has not reached through the network of public agencies. One example suffices. Until 2003 only one school took refugee children; all others maintained that a green ID was required to attend. (The Archdiocese refugee programme representative had to visit each school to seek their acceptance.)

Resources for training and economic development (small business loans) are nearly out of reach to foreign refugees. (We could write an entire essay on this issue.)

Living expenses can be higher. For example, the utility deposits are higher for foreigners than for SA citizens.

Equally important, it is being the outsider in the society that shapes one's life. The Congolese congregate in the old central city area, where they feel safer. They do not feel safe in the townships; they are concerned about being lost in the crowd or being resented as an outsider. Crime in the township frightens them, and the sense that, were something to happen to them, there might not be enough people who feel concern for them and would help.

Living in the central city has consequences. Housing is expensive and old. (For example there is a joint water meter for three contiguous buildings and the rate per gallon of water goes up with total volume consumed so each household pays more per gallon than it would with an individual meter.) On the plus side, people can save on commuting costs.

Third, hope is key to Host 6's life. It drove him to find a better place and relocate his family. It drove him to take the risk, and find a place where his children can go to school and flee the dangers of war and its aftermath (continued unrest, food shortages, poverty and hunger). He took a long, difficult, and lonely trip on his own, with the help of a Pentecostal church network, to get to SA by land through several borders. And he spent a long, lonely stretch by himself to learn barbering (working for free for months) to eventually be able to run his own barber stall.

It is hope that guides him now. Faith is a big part of his family's life. There is prayer time in the morning and over meals and listening to inspiring east African gospel singing videos at the beginning and end of the day. Building the Pentecostal congregation is part of that too.

Hope also pushes Host 6 to seek out ways to find other training for other livelihood, for getting more income out of barbering, seeking out subsidies to expand and acquire better equipment. It also pushes him to seek resources to cover his children's schooling fees and expenses.

Regarding the barber work itself, I finally understood during our two days what I should have known from the start; location matters most. For all street vendors, this is true. But for barbering in particular it is most true. Customers have options about hair cutting; they can wait a day or two, they will grab a haircut (or a shave) when they feel they can no longer wait or when they have money in their pocket. Being easily accessible so the haircut is speedy is crucial. The location of Host 6's stall is very good. What is not good according to him is that it is temporary; everything must be dismantled at end of day, stored safely, and put up again very early in the morning. Finding a stall in Warwick junction's organised market (where rent is reasonable) has not happened yet; all good locations are already rented. Finding a spot on side streets is possible but much more expensive; it requires a level of upfront investment he does not have. Without a permanent space, investment in hair dryers and other valuable equipment that would permit building the business is not possible.

Barbering with an electric shaver can be learned in a brief while. It takes handling the shaver close to the skin. Host 6 and Gaby said it took attention to learn but can be learned. I tried it on two accommodating customers. (More complicated hair cuts take some time to learn.) What takes a bit longer to learn, and not everyone develops, is the personal touch and making the customers feel comfortable so they will return to your stall rather than someone else's. Host 6 is very good at this; he gives close attention and care to his customers.

Making a living as a barber is a long day. Ten years ago a basic hair cut was priced at 10 Rands. The prices of other things have gone up since, including that of charging the battery of the electric shaver, but the price of the hair cut has remained unchanged. Thus working long hours is the only current way to maintain income. Host 6 is at the stall early (between 6 and 7 a.m.) for the morning rush hour. He takes a break around 11 a.m. to come home and eat breakfast. He often skips lunch to save and comes home after 6 p.m. after the evening rush hour. He then has obligations to his church and congregation's pastoral care. He works on Saturdays and part of Sunday when his eldest, S., comes to help.

I felt so welcome, with great kindness, by Host 6's family. The children played in the back courtyard (that communicates with the neighbours' who are also Congolese). They mostly stayed out of the way of the adults and us guests, not to disrupt conversation. But when we talked, they were full of curiosity and liveliness. J. was quiet and retiring around us. The language barrier came into play. Also, she is very busy with housekeeping for this very large household, even with the help of her sisters, and still nursing the youngest daughter. At the end of the day, she would fall asleep while nursing, unable to resist the weariness. On our second day, she finally relented on treating us as guests and allowed us to do something in the kitchen, chopping vegetables and learning to prepare Pap (cooked maize flour) the Congolese way, which is different from the South African way. I could not help but wonder that life is hard for her in a different way, without the language, spending time mostly at home in this new city.

The family home is also visited regularly by fellow Congolese and other foreigners. One man from Ghana, stores his stock of shoes to repair, a large stock, on the veranda overnight. Another comes through with his small son, on the way back from the clinic. A friend from Uvira, a former nurse and also a barber, stops by. All have more than one economic activity, they add selling clothes or other things to their main livelihood.

The insecurity of central city Durban governs life for the family and work too. The children do not play in the street. The front of the house (door and veranda) is gated and padlocked at all time. It is a very pleasant house; yet security is an ever present concern for the family. At night, we padlock the door to the courtyard, and shut the windows. The boys and boarder who sleep in the annex lock up their door. The block is simply not very safe and robbery is a risk. On our first afternoon, Gaby and Host 6 took us to the local police station annex to alert them to the fact that there are foreign visitors in the area so we will be able to get a quick response were something to happen. Also, for barbers and others working on the street, the theft of tools and personal belongings is a real cost.



Regarding Siyagunda and other structures of support— I found that the difference from our experience in India was that in Durban our host did not have the benefit of the supporting structures of a large union like SEWA—not the large numbers of leaders nor the credit union for example. Siyagunda, the association of street barbers in Durban, plays a critical role in negotiations with the municipality and with township governing bodies and in public advocacy overall. It is not large yet, nor can it access resources such as government grants. Therefore, it became much more important to understand the role of other actors such as the Archdiocese refugee programme or other small NGOs offering minimal service to refugees. Gaby, our facilitator, played a key role in introducing us to these organisations, what they can and cannot do to help.

In closing, Host 6 conveyed to me and to Donna his and his family's strength and determination. He conveyed how his hopes shape his daily life. He has also conveyed to us all of the ways in which he sees the vulnerabilities for him and his family's economic life. He works longer days. Costs have gone up. Income is too low. Subsidies for some costs (school fees, pensions) are sometimes available from the Archdiocese refugee programme but not from the SA government. He has also asked how to find access to subsidies and other ways for barbering to yield more income. Importantly, he wants access to training for a better livelihood for him and other refugees. This is his request that I bring to the group, and to the policy discussion and policy dialogue.

## b. Donna L. Doane

We are coming to Durban to think about the “second economy,” and the idea of an economic entity that combines elements of a “first world” and “third world” economy. But I wonder, *which post-segregation and post-apartheid economy is not a hybrid*, with an underclass that continues to be in so many ways socially, geographically and economically separated from the relatively well-off?<sup>8</sup> Is South Africa a rather unique case of combining a first world and third world economy, or is it truly more like an economy (a “failed first world economy,” as a Russian friend would say) that, in the post-segregation period, combines a *first* and a *second economy* that are largely defined by these historical divides?

So as I enter Durban, I continue to wonder, what is the “third world” component in this post-apartheid economy? Coming from the Philippines and South East Asia, and having spent most of my life in different parts of Asia, it is a little difficult for me to see the third world in Durban as much as the social and economic legacy of the years of apartheid, much like the legacy of segregation in the US. This lack of similarity to patterns of development found in most parts of Asia seems important. (For example, I don’t sense that there are large numbers of people in Durban with one foot in the city and one foot in the rural areas, where their relatives may have a small amount of land or are fisherfolk, or work in or run small shops or services – but I could be wrong.) What, then, is “third world” about Durban? Is it the persistence of intense poverty alongside wealthier areas (and everything in between)? Is it the presence of *muthi* and bovine head sellers? Is it the multicultural and multilingual humanscape? The storefront churches? But again, each of these impressions of life in the poorer sections of Durban reminds me of inner cities in the US more than of the developing countries of Asia. Think of New York’s (or, even more so, cities like Newark’s) stark inequalities, the persistent high rates of unemployment, and the fact that young men in these cities’ poorer neighbourhoods may not live beyond their 20s; think of the bodegas of inner cities with their equivalents of *muthi*, along with storefront churches, and people on the street selling goods legally, or in many cases more casually.

I don’t want to overstress this point because conditions are very different outside of South Africa’s cities, and of course each country has its own unique history, but the lack of a wide range of informal economic activities that one usually associates with the “third world” is surprising and noticeable in a city like Durban. Moreover, although there have been major changes in both countries, the economic as well as psychological, geographical, sociological and political legacy of segregation remains very apparent in Durban just as it is in poorer areas of cities in the US, where ideas of “race” combined with a legal and social system to produce a form of apartheid, even though the system was never acknowledged or called as such.<sup>9</sup> (It may be no wonder

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<sup>8</sup> The relatively well-off of course now include many who would have been part of the underclass in previous generations, but most likely have had some distinguishing abilities or advantages that have allowed them to forward economically.

<sup>9</sup> I understand that in South Africa the division was made into Africans, “coloureds,” and other racial categories. In the US the laws that determined one’s rights (or lack of rights) were based on the determination of “white” or “non-white” ancestry. This critical distinction between “white” and “non-white” was made using such criteria as the “one drop” principle, the “one-sixteenth” ancestry law in Louisiana, and other means – including purely *economic* – that determined one’s racial classification (sometimes putting poor Finns and Southern and Eastern Europeans into the *non-white* category, and landowners originally from Mexico into the *white* category), and without even the recognition of mixed

that John Kani and Winston Ntshona commented, when they visited New York to perform in “Sizwe Bansi is Dead” in the 1970s, that New York and South Africa didn’t strike them as being very different from one another – most likely referring to the continuing discrimination, economic and geographic segregation, and sharp divisions between the “first” and “second” economies found in both contexts. Times have changed, but the legacy of segregation is not yet a vague memory in either case. Does this mean that the *second economy* has very different dynamics than those that usually characterise the *informal economy* in a developing country context?)

I bring up this comparison with New York only because it may help us understand why, in both cities, there have been such strong barriers to entry – non-economic as well as economic – facing the poorer population to informal as well as formal work, and also how refugees/foreigners fit into this picture. We will come back to this shortly.

My interest in the refugees who have come to South Africa – especially following 1994 and the opening of the country to refugees – is a direct result of the fact that Francoise Carre and I had the great fortune of being hosted in the Durban EDP by Host 6 and his family, refugees from eastern Congo, with the help of Gaby Bikombo. as a facilitator. (Gaby is also from eastern Congo, and worked as an agronomist before he was forced to leave to avoid being killed; Host 6 worked as an educator before he was forced to leave in the middle of the chaos caused by the ongoing wars in the region.) Host 6 and Gaby are *legal refugees* (i.e., they have a legally recognised status as refugees), and both work as street barbers near Warwick Junction, along with other street barbers who appear to be mostly refugees. (The street barbers we met were from the Congo, and there appears to be an informal division of labour among street service providers and vendors based on national origin – for example, with those coming in from West Africa working in shoe repair, and other foreigners working as sellers of second-hand “charity” clothing, or doing panel beating/auto body work – but this division of labour may not really exist, or exist in any rigid way.)

Our brief glimpse into life as a street barber and as a refugee in Durban gives us the impression that it is a very difficult life. To open a tent near Warwick Junction as a street barber costs more than 2000 Rand, including equipment, and they need to pay over 200 Rand each month for renting the space (17.10 x 12). Batteries for power also need to be added to this. Since haircuts are 10 Rand per cut and 3 per shave – *with no change in prices in a decade* – a street barber may make between 1000 and 3000 Rand a month depending on location, the barber’s personal ties with customers (Host 6 has a dedicated clientele), and the time of year (December 23 and 24 are especially good days for business). However, when costs are subtracted the amount left over for food, transportation, children’s expenses, and other necessities is very small. (Host 6 estimated the average cost of housing at around 1200 per month for rent and 600 for water and electricity.) A street barber’s very low earnings are thus a major concern.

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or other “in-between” categories until very recently (“multi-racial” is now an option). Court cases show how important one’s racial classification has been until very recently in both countries. This again contrasts sharply with most parts of Asia, where this strange notion of “race” is not at all an issue in the way it has been in countries such as the US and South Africa.

Some of the other problems faced by refugees include being charged a “double deposit” for water and electricity, the lack of scholarships and loans for children’s schooling, the lack of loans for business purposes, and the lack of most forms of social protection, training programmes, maternity policies, and other benefits that are available to citizens (even though in principle they should be open to those who have been given refugee status, in actuality this does not happen). *The majority of social protection and other programs that we were asked to look for simply were not there in the case of the refugees.* Moreover, in spite of their training and South Africa’s need for skilled workers (e.g., for nurses, caused in part by medical personnel migrating out), refugees are not allowed to work in these professions. According to one Catholic official, the ID cards given to legal refugees (those granted refugee status through the Department of Home Affairs) are seen as different from the ID cards given to citizens, even though in principle the ID cards of both citizens and legal refugees are supposed to guarantee most of the same rights. He noted that this difference based on the colour (if maroon) or the number of the ID card (if green) ends up feeling much like the old “pass” system. (A green ID indicates that the holder has been granted permanent residence, but the number will still be slightly different from that of a South African citizen’s green ID.) Many say that in spite of the rights legal refugees are supposed to have, it is difficult, for example, to convince potential employers that those granted refugee status can be hired legally. In fact, this is getting worse in many ways – for example, men from the Congo used to be hired as security guards under a regular contract, but now this job has been declared “closed to foreigners,” even though much lower paying and tenuous jobs such as informal guards remain open to them.

In other ways, the refugees we talked with felt that some things are better than before – for example, they now have better access to schooling for their children, which used to be a serious problem, and access to the public health care system, for which the refugees are also grateful. (One person mentioned that in the past many churches had also been effectively closed to refugees/foreigners, and that some may still be currently.) However, alongside improvements, there continue to be serious problems facing refugees. One person doing shoe repair said that things had not gotten better for him personally over the last couple of decades – i.e., since even *before* 1994, when the new government came in. Also, the perception is that things are getting worse at Home Affairs with an extreme slowdown in the processing of refugee/asylum applications (neither a “yes” or a “no”), putting them in a Kafkaesque situation, and open to arrest since they are left without papers for years at a time.

The question is why this situation exists. Certainly, capacity is a problem, given that the number of staff members working on applications at the Department of Home Affairs in Durban is down to one person since several others were fired due to corruption, and were not replaced. (Why were they not replaced?) Or is the problem due to a need for “extra” payments, or perhaps part of a deliberate but unstated policy of discouraging refugees? The question of how many refugees to accept is a difficult one, particularly with thousands coming in each day from Zimbabwe (most are returned to the country), but a clear policy would help. There is a great deal of confusion on this point, and the uncertainty and intense vulnerability felt by those without any papers or decisions regarding their legal status is probably the most serious problem large numbers of refugees face. (Gaby noted that the situation takes a great toll on refugees, and that even having refugee camps – as unbearable as they can be – at least provides the means by which decisions are made, one way or the other.)

I was also surprised to find that the refugees we talked with feel that they must crowd together in relatively expensive inner city housing, since it is far more dangerous for them (as “foreigners”) to live in the townships. They have experienced xenophobia in many forms – taunts, threats, and no one coming to their help when they are hurt or victimised if they are identified as “foreigners” (I forgot the word used to indicate foreigners, but it refers to speaking in a language that no one understands, and the xenophobia is said to be directed mostly at other Africans). Many say that because of this and because of their lack of access to basic requirements (loans, jobs, training programmes, etc.), refugees have a very difficult time supporting themselves and their families. It was inspiring and very encouraging to see that during our follow-up discussions in the hotel, the women who acted as hosts for the EDP expressed a strong empathy with the refugees’ problems and appeared to understand their plight very well, including why some refugees have to engage in illegal activities just to survive even though it is risky and it is something they don’t want to do. (As a side note, we did see certain individuals – presumably not refugees – selling expensive goods very cheaply on the street in one section of the city. We were told that, unfortunately, buyers sometimes justify their purchases of stolen goods by saying that the goods had “belonged to whites or Indians anyway” – clearly, the social divisions that are the legacy of apartheid will continue on for some time.)

Besides dangers facing them as foreigners, the street barbers also face the usual threats such as theft and crime, as well as such anxieties as a profound uncertainty regarding the idea of what “cleaning the town” for the 2010 World Cup will mean. Host 6’s house is in the inner city, and because of the threat of break-ins the windows must be kept locked at night even though the house becomes very hot. Gaby was once also worried about possible danger coming from young men hanging out on a street corner (he watched carefully to determine their intentions), and both he and Host 6 were worried about possible problems that might come to Françoise and me while walking through Warwick Junction and along certain streets.

Another important aspect of our EDP involved our interaction with not only Host 6, Gaby, and their friends and acquaintances, but also with the women and children of the household. Host 7’s wife J. runs a large household including up to 11 people. The women are all very capable and extremely warm, and although J. was shy to converse in French or English, others were willing to translate. She is a very impressive person, and appears to be the heart of the family and extended community. It would be very enlightening to know more about the world as seen through the eyes of women like J.

There is much more to say about our stay with J. and Host 6’s family; for now, though, I will move on to the question of women and work. I had read that Congolese culture has a patriarchal bent and thus many may prefer that men work outside the home, but this does not always hold. Other women from the DRC (Democratic Republic of the Congo) may work as domestic helpers or in other capacities if they have very few children or make enough money to hire others, but women with several children are not as likely to work outside. (Gaby noted that the alternative is sometimes to leave the children in the house alone, locking them in, or to put the older child in charge, which is not a good arrangement.) We also saw examples of refugee women selling second-hand/charity clothing on the streets. We were told that women in Durban sell phone time, fruit, hot food, and snacks; make pinafores; and work as *muthi* and mealie sellers; however, I was not sure whether all of these professions

would include women who are refugees. It is said that women doing somewhat better might try to open a hair salon, but it is not felt that being street haircutters would be appropriate for them (besides which, they need the water that is possible to get with a slightly more formal establishment – either a kiosk or a small shop). Clearly, the discussion of generating good livelihoods needs to take gender dimensions and cultural concerns into account in a serious way.

Women refugees are often in a very vulnerable position because when they come to join their husbands, many find that they have been abandoned – in other words, their husband has taken up with another woman and will not accept them. We did see women who apparently were in this situation working in the Emmanuel Cathedral (of the Roman Catholic Archdiocese, near the Jumma Mosque and Madressa Arcade) stitching school uniforms – I think to be used by refugee children – but apart from this we were not aware of large numbers of refugee women at work in one place. Gaby, as well as the representative of the Mennonite Central Committee (funded by the UNHCR), were interested in homebased production that women who want to do paid work but have home-centred responsibilities might be able to do. I promised to send on ideas that have worked in the case of the South and South East Asian HomeNets (e.g., the making of nutritive supplements/snacks for poor and undernourished children, and women who are pregnant or nursing, that can be sold in schools and other locations).

The sense we got from our stay with Host 6's family is that there is a great deal of importance placed on the education of children. All of the adults in Host 6's household are also trying to make sure that the children know and respect the culture and ethical values the adults were brought up with (in eastern Congo). In fact, the children are doing well and, having no direct experience of the DRC, are becoming impressive South Africans. Their studies of South Africa's history from prehistoric to modern times, of Afrikaans, English, Zulu, math, social studies, and other subjects are preparing them to contribute to the country – and, perhaps, to help bridge the gap between South Africa and other parts of the continent, in their own ways. (We looked at the books one of Host 6's sons brought home, covering all of these subjects. Although I cannot in any way judge the quality of the education he is receiving, certainly the range of subjects and books indicate that something positive is happening in the schools).

The adults are of course concerned that the children not fall into problems associated with drugs, crime, and other hazards. This may also be connected in part to the role of the church in their lives. Host 6 is the pastor of a small church located in a room in a large building not far from Warwick Junction. (Interestingly, Host 6 and Gaby both downplayed the idea of ethnic group affiliations – e.g., ties among certain ethnic groups from the eastern Congo; Host 6 emphasises that the worshippers all share Swahili as a common language, and do not organise themselves according to ethnic groupings.) Church members take care of each other when they fall sick or have other difficulties. But when I asked if the church members could act as clients for each other's goods and services, Host 6 pointed out that the members are too poor to provide a steady client base; even the church has little money for rent or providing help to members.

This is different from my perceptions of immigrant communities in the US or the UK that are somewhat better off. In parts of New York, for example, such groups as vegetable vendors from South Korea and newspaper vendors from India may have started their businesses by pooling their resources as an extended kin group or through other ties, and Central Americans in certain parts of Los Angeles are known for bringing economic vitality to their communities by setting up their own small shops and services and buying from these local stores and service providers. This has not been as true for low-income African American neighbourhoods, as discussed often by Tony Brown and others who are worried about the continuing high unemployment and low ownership rates among African Americans in inner city neighbourhoods. Part of the reason for this may go back to the patterns of poverty and discrimination within what was an unacknowledged apartheid system (even after slavery was long gone), together with a legacy of working in a context of farms, factories, and institutions *owned by others* – and, increasingly, *impersonal organizations* (large-scale enterprises, chain stores) *that dominate the economy* – without large numbers being able to become successfully self-employed, or even think of starting one's own rural or urban business. The majority of those who have been very poor and without access to capital or other skills needed for “entrepreneurship” are not likely to have the life experiences that new arrivals, in contrast, may bring with them.

As *refugees*, the families from the DRC and other areas in Africa impoverished by ongoing wars come in with no material resources (as opposed to the immigrant communities described above, who are able to support economic activities in their own communities). However, the refugees we talked to did have the advantages of education and familiarity with small enterprises and local economic activities that serve them well. They may also, like immigrants to New York from the Caribbean, have psychological outlooks that are distinctly different from the local population that has grown up facing systematic and psychologically debilitating forms of discrimination. Tensions thus often arise in places like New York between the local population and those newly arrived, since the feeling may be one of an increase in competition among the poor for scarce jobs. This tension is clearly there in Durban as well, which is understandable in view of the extremely high unemployment rates of poor South African citizens. I was impressed that, given these circumstances, the refugees in Durban appear to do whatever they can to fit in and develop livelihoods, and consciously try *not to be in competition with the local population*. Moreover, they try to keep a low profile so that do not have to face negative reactions from either citizens or from the government, and try to contribute in whatever way they can.

We were also impressed with the ways in which refugees are willing to help and support one another (to the extent that their very low earnings will allow!). New arrivals are given food, shelter, and training (e.g., by being taken on as an apprentice who gains skills and eventually will set up his own shop as a street barber), just as the refugees who came earlier were given support by other refugees, particularly from their home communities. They may also store goods and materials for each other since they do not have regular shops or “kiosks” that can be locked at night.

The sense of the importance of family, community, and friendship is one of the most important impressions that I take out of our stay with Host 6 and his family, with his and Gaby's enormously helpful insights and explanations. Even though life is very difficult for refugees such as Host 6's family, their willingness to support not only

family but also non-family members – new arrivals, church members from a number of different countries, and others in the community regardless of national origin – was immediately apparent. This generosity of spirit makes good sense, since this kind of mutual support is good for all in the long run even if it means personal sacrifices in the short run. But apart from whether it actually makes “sense” or not, it is a wonderful thing to see. It is the glue that makes societies work.

It will be as important in Durban as in New York and other post-segregation contexts to be able to overcome divisions that tear the fabric of society and hurt everyone, regardless of economic position. Historically, in the case of the US, *both locally-born citizens and new arrivals* provided leadership for these efforts. From what we have seen, this is likely to be true of South Africa as well, as long as the need for refugees to keep a low profile is overcome, policies are clarified, and those from other countries are accepted in the effort to give rise to a more tolerant society. If successful, this may also contribute to making the economy more complex and help solve the problems associated with the sharp divide between a “first” and “second” economy, eventually leaving the factors that created that divide far behind.

I am grateful to have been able to be part of this experience, and I hope the ties formed during this period continue long into the future.



## **6.2 Technical Reflections**

### **a. Françoise Carré**

This note addresses how my practical EDP experience relates to the following policy relevant themes: Street barber trade in Durban; Opportunity for growth in street vending; Refugee and immigrants and their relationship to the informal economy; Unemployment in South Africa and informal employment.

(Partly because we were asked to focus these technical reflections on policy issues, I have included here details about the economics of street barbering, rather than putting them in personal reflections.)

#### **The economics of the street barber trade in Durban Warwick Junction area**

*The trade* of barbering as practiced in central city Durban involves using electric shavers and manual trimmers to provide short hair cuts in multiple styles, and shaves of the entire head as well as beard shaving. It should be done observing hygienic procedures (e.g. spray the shaver with alcohol), gently, and with a definite amount of personal touch. The customer has to be made comfortable so he will come back and the barber adds his own particular touch to each hair cut style. It is a trade practiced by men on male customers.

I do not know how street barbers originally started in Durban but it is clear that, now, the majority of street barbers are foreigners, primarily Congolese, some Ghanaians, a few other east Africans. Gaby observed that getting closed cropped hairstyles has become more common now that the Congolese barbers have settled here. In effect, a market might have grown because the supply is there.

The trade is organised in a “guild” though one that does not enforce barriers to entry. All barbers hang a similar yellow sign that indicates the most common hairstyles and name of the owner. Siyagunda is the association that represents barbers, particularly refugee barbers, with the Warwick Junction municipal project.

*Costs:* The municipality charges 150 Rands per year for the permit and space. Host 6 inherited his stall (tent and equipment) from the man who trained him—and for whom he had worked for free—but many newly arrived barbers have to rent their tent and equipment as well. Setting up has to be done very early in the morning to catch the commuter crowd.

The tools required include the tent, chairs, mirrors, a portable battery and electric tools. These wear out and must be replaced regularly; Host 6 noted that newer models made in China do not last as long as older ones. Barbers pay a fee at local gas stations to charge the battery (it seems to me that if there were a way for the municipality or Warwick junction authority to provide battery charging at cost; it would help barbers control their cost greatly) Supplies to be purchased include alcohol to clean the tools and brushes.

*Income:* In Warwick Junction, a hair cut is priced at 10 Rand. There is an extra charge for a shave and for more labour intensive hair styles. The problem is, the price

has not budged in ten years. All the other costs (battery charge, equipment, living expenses) have gone up. Barbers provide a service to consumers who do not earn much, and possibly no more than them. They do not have a way to tap into a customer with slightly higher means (that we can readily see).

Also, we do not know how much the regular influx of new barbers plays a role. Out of necessity, the Archdiocese refugee programme and the refugee network, refer new Congolese arrivals to established Congolese who can teach them one of a very narrow range of trades; barbering is one of them.

*Opportunities for growth in barbering:* Host 6 thinks that his business is remaining static and possibly falling behind as costs go up. Expansion within barbering could come in either controlling costs for oneself (having access to a battery charger for example which the municipality could run at cost) or gaining access to investment resources and equipping a full “salon” with hair dryers and sinks so as to draw a female clientele and charge for more elaborate hairdos.

In Warwick Junction itself, there are not stalls available at the low rent which are accessible to foot traffic. Stalls are available at market rates on surrounding streets; the cost of renting and equipping one of these is estimated at 20,000 Rands and is therefore too expensive for him.

We did discuss intermediate, short term options to raise revenue, like devising small enhancements to the barber service that would be small extras that customers can opt to purchase sometimes (e.g. extra hair or skin conditioning).

### **Opportunities for growth in street vending**

For all in Warwick Junction, opportunities for growth are hemmed in by the city’s residential and commercial patterns. Unlike in many other countries, informal traders have only limited access to customers with income even a notch higher than themselves; they sell to other poor people. The urban settlement and commercial pattern inherited from apartheid—settling people in suburban townships and restricting any African street trade—is a heavy legacy that burdens commercial expansion. It affects who (what income groups) travels through Warwick junction and what goods and services can be offered. Consumption patterns are also shaped by this legacy; people purchase goods grown by large scale farms and processed by large companies. The tradition of small scale production goods sold by street vendors seems almost non-existent (except for traditional medicines). The foot traffic through Warwick junction offers good but limited opportunities for vendors. I understand these are better opportunities than elsewhere in the city or in most townships. Nevertheless, street vendors have access to only one slice of working South Africans’ expenditures; the rest likely goes to large formal enterprises. Assessing what levers can realistically be used to alter this consumption pattern is critical for the self-employed.

Personal safety- or lack thereof- plays a constricting role as well. Stalls have to be guarded. Customers may refuse to pay for the haircut (one did so when Donna Doane and I were there); working on the street can expose one to danger and theft. Tools are stolen and then sold cheaply to other traders desperate to save on their costs.

Access to training (new skills for new products and services) and to investment resources (affordable small loans) seem logical avenues for growing in self employment. Both would benefit barbers and vendors alike. Nevertheless, access to more consumers and to consumers with steadier or slightly higher income seems equally important. Expanding the Warwick Junction formula of making street vending a viable alternative to shop in large townships or another area of the city where commuter foot traffic is significant might be a way to proceed. Opening new market options is another; assessing the feasibility of tapping into the summer tourist trade for example. If the tourist trade has changed in the post-apartheid era (people in a broader range of incomes can travel?), opportunities for new consumer markets may open.

The enormously important issue for street trading in Durban will be how the municipality will plan for the use of space during the World Cup. Will street traders be barred from access to these consumers? Restrictions on the use of space may be severely injurious to the livelihood of many in the urban area. Any planning that ignores the economic impacts of restrictions will result in negative economic impact on some while others, mostly formal enterprises, stand to benefit from the economic activity brought by international visitors.

Similarly, we heard of possible plans for reorganizing Warwick junction. Again, consideration must be given to the impact on the livelihood of vendors. It is not likely that people could shift to other forms of work so readily. We saw vendors who had little stock and little value added to their product. These would not be in a financial position to start anew in a different vending trade.

### **Refugees and immigrant issues and how they might affect thinking about the informal economy**

Within the South African informal economy, refugees (asylum seekers and those with ID), and other African immigrants play a vital role. On one hand, they have fewer opportunities for income stability and growth because most agencies and policies do not recognise them on a par with South African citizens. On the other hand, they bring new ideas and long traditions of street vending, and knowledge of informal markets from their societies of origin. In this way, they feed the growth of some forms of self-employment.

The restrictions on refugee economic activities are many and multifaceted. It is difficult for us to sort out what is policy and what is practice; from a refugee standpoint, results are one and the same. First, refugee policy has become tighter fisted over time. The procedure to get asylum seeker status has stretched the limbo state of many from East Africa, Congo and Somalia, into months and even years. There are insufficient government staff (at the provincial level) assigned to the process and no prospect of improvement. The limbo—whether intentional or expedient—has clear economic consequences; initially making subsistence difficult and later making it impossible to secure loans, scholarships, or training. Second, once refugee status is obtained (something that is becoming rarer everyday) one is still a foreigner, a non-citizen in the country. Two processes come into play to severely constrain opportunity. One is that, by law, foreigners have separate status; they are

barred from security work (security guard had been an accessible occupation) or must pay more for utility deposits for example. They are not eligible for many scholarships and training opportunities. They are not eligible for the primary social protection programmes: the old age pension, the child care grant, and the disability benefit. The second process is more subtle but pervasive according to the accounts we received. Even if the Ministry of Home Affairs has established a refugee ID (maroon ID), other agencies do not recognise it and individual public officials do not recognise it either. Whether this is official policy or the result of ignorance or possible resentment of foreigners is unclear but I do not doubt that the refugee ID is not recognised. Potential employers may not know what it is. When they do, they also note that the new card must be renewed every two years (and the renewal process itself takes over a year) so that a new hire is less appealing because he/she may lose this refugee status in the next renewal. Access to small loans and other credits is also limited in practice. Access to training also seems severely restricted; I do not know enough to know whether this is by policy or practice.

For refugees, South Africa is a complex setting. It has a modern formal economy that often does not know how to handle someone with a pending application or one with refugee status. It has a small informal economy that offers far fewer opportunities to absorb a newcomer than it would in another country with traditional markets and lively street trade.

Nevertheless, refugees and other African foreigners bring know-how and vitality to the Durban informal sector, and possibly that of other South African cities. They bring with them new products and new business skills, even when their original occupation was outside the informal economy. It is said in Durban that Congolese refugees came up with the trade in used clothing, transporting clothes inland to sell in areas where people had not had access to such clothing. While the importation of used clothing is now forbidden, the example is one where newcomers found a market where none had been developed. We were acquainted with another example in Warwick Junction. A particularly successful small vendor of bakery goods was a Ghanaian who used a recipe from his country for his muffins; this simple change resulted in success, people were willing to pay a bit extra for the new taste.

The policy question is: What, if any, benefit would the country be willing to capture from the influx of newcomers with different business practices and skills? Even if the activity is a low income activity as of now? Given South Africa's refugee policy (one that in principle is welcoming), how might policy support livelihood opportunities for newcomers in ways that benefit other ordinary South Africans?

Regarding refugee and immigration policy as a whole, as an outsider looking in, I would want to see a high level fact-finding project, policy assessment and eventual political debate to get clarity on the following:

- what are foreigners eligible for by law?
- What are foreigners eligible for in fact?
- What should they be eligible for as long term residents of South Africa? After what length of residence? What would be reasonable treatment?

## **Unemployment in South Africa--- could the informal economy be an alternative**

Our conversations made clear that the term “unemployed” means not having wage employment with a formal enterprise or in formal domestic employment. It does not mean not having a livelihood. Many South African have multiple means toward livelihood, neither sufficient by itself. Our conversations also explored the possibility that informal employment is significantly undercounted in the labour force survey. Questionnaires are thorough in assessing almost all means of livelihood outside of formal employment but they may not be consistently and thoroughly completed in the field.

Borrowing the analogy made by Marty Chen in the discussion, the South African economy consists of a first world economy (multinational capital) coexisting with a third world economy. The third world economy, however, has been historically hamstrung with limited small scale farming (apartheid legacy) as well as restrictions on street vending and small business development in urban areas. Whereas business skills and markets developed in other countries, the South African informal sector could not do so.

According to accounts we were provided, the current high unemployment rates for black South Africans appear to concentrate on the high school educated and on an older generation of dislocated workers, likely displaced when their industry was decimated by the removal of trade barriers (light manufacturing, garment, shoes). If this is the case, the latter form of unemployment might be transitional. These older workers will age out of the workforce. They may remain unemployed and only once their expectations of reemployment change, might they make livelihoods in informal work. (I would want to know the unemployment rates for low education whites in similar situations and whether their likelihood of reemployment is greater. Do they open small businesses? Remain dependent on assistance?)

The high school educated group of unemployed are presented as hampered by poor secondary education and with expectations for a formal job. They avoid jobs in historically black employment like domestic and other personal service as connected to the apartheid legacy. This group might face a life long difficulty with employment (without retraining or further education) because they lack access to the first job experience. There might be a cohort effect at play. If efforts to improve secondary education for Africans are effective, the next cohort might be better prepared for formal sector jobs.

For the unemployed and employed alike, for those in formal and informal employment, I wonder: What might be the impact of changes in the norms for primary sector employment? Changes include greater employment insecurity overall (more frequent layoffs) and the tiering of jobs into regular, short term, contracted arrangements that formally limit the economic attachment between employer and worker. Will these changes in formal employment have an impact on people’s expectations from employment as well as their attitude and orientation toward self employment?

If formal enterprises now provide employment that is explicitly limited term or even casual, might job seekers look at informal sector work differently in years to come?

Will it be perceived as less undesirable? If so, will it benefit from public investment (loans, training)? How will norms evolve?

## **b. Donna L. Doane**

### **Policy Questions Regarding Refugees**

The refugees we met in Durban identified the following as key issues that policymakers will need to address in the coming months and years<sup>10</sup>:

*Legal status:* It is very difficult to get refugee status in a systematic and timely way; refugees often cannot go back to their home countries, but they have a difficult time surviving in South Africa. The government says it will accept refugees, but at the present time the policies are not clear or consistently applied (this is a relatively new issue for South Africa). Living in limbo without papers or a decision (whether “yes” or “no”) leaves refugees open to arrest, forces some into illegality, and reinforces stereotypes regarding “foreigners.”

*Access to programmes:* The government needs to communicate its policies regarding refugees (what are their legal rights regarding employment and programmes, and what rights do they not have) to government agencies, employers, and others. There is a great deal of confusion right now, resulting in even refugees who have been given formal (legal) refugee status not being able to get employment, training, accreditation, etc. (They understand that these programmes and jobs are supposed to be available to legal refugees, but in reality they usually are not.)

*Financial side:* There is a critical need among refugees for loans for education, business, etc. The situation now is that refugees without money cannot get training, and even if they can get training somehow, they can’t get work; even if they get work somehow and have a bank account, they can’t get loans. For this reason, education, setting up small businesses, business improvements, and other efforts are blocked – even if a small number of refugees can get access to loans, in reality most cannot at the present time. In addition, very few types of social protection are available to non-citizens, so the risks refugees face are great and can include very costly or even devastating reversals. On top of everything else, day-to-day costs faced by refugees are higher than those faced by citizens in the sense that they need to pay “double deposits,” can only live by crowding into more expensive housing units since they are restricted regarding where as “foreigners” they can safely live, and in other ways they end up having to pay more.

*Campaigns to deal with prejudices and misperceptions:* These programmes need to be expanded and promoted through the educational system, economic organisations, media, government agencies, religious institutions, and other organisations.

On this last point, we have worked for years in the field of prejudice and discrimination, trying to overcome problems associated with “race,” gender, religion, and national origin (xenophobia), among other related concerns. My experience is that this type of work in educational institutions actually can have a major impact on

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<sup>10</sup> These points are explained further in the “Personal Reflections” note, in which refugee issues were discussed. With regard to the Durban municipality, one of the refugees’ main concerns has to do with the idea of “cleaning the town” for the 2010 World Cup – there is a great deal of worry among street vendors and street service providers that they may lose their locations and livelihoods. The refugees, as street service providers, also think that the city should engage more in a *participatory process* for improving conditions for street vendors of goods and services – i.e., there needs to be more interaction and consultation in designing and implementing plans regarding location and other considerations that are important to the vendors/street service providers.

students' attitudes and students' lives, and therefore the lives of those around them, possibly more than any other course they will take. This applies equally to those who are able to spend time thinking and learning about these issues outside of schools/universities – e.g., in a context of religious institutions, private and public enterprises, government offices, NGOs, trade unions, and even military- or police-related units – as well as other places where they will need to analyze and begin to understand (emotionally as well as intellectually) prejudice and discrimination on all levels. (These “levels” include the interpersonal, organisational, and structural levels of society.) **Although this type of training/education needs to be done very carefully to avoid doing much more harm than good, in my experience it should be considered practically a basic necessity, especially in the case of neighborhoods, organizations and societies that are deeply divided.**

Regarding meeting the refugees' practical needs, such groups in Durban as Lawyers for Human Rights, the Catholic Archdiocese, and other service providers work closely with the refugees and with the Department of Home Affairs, and try to do whatever they can. However, their resources are limited and they appear to be tremendously overburdened with the problems facing both incoming and established legal refugees. My experience with refugees in South East Asia is that when the government has a clear policy and works closely with UNHCR and other international organisations that have access to resources, refugees can be provided with more than the 14 days of assistance that seems the norm in South Africa. The programmes I am familiar with in South East Asia also help legal refugees secure sustainable livelihoods and, if possible, contribute their knowledge and services to meeting the needs of the local population (where job openings exist and they have the training needed to fill those positions). How this funding works, and how many refugees can be accommodated, is something that would need to be investigated.

Much more needs to be said on each of these points, but this is a quick summary.

### **Policy Questions Regarding the “Second Economy”**

Based on the description in Alan Hirsch's book, it seems that the ideas behind such programmes as the **Sectoral Partnership Fund** and the **Fund for Research into Industrial Development, Growth and Equity** are good, and need to be directed specifically toward addressing the unemployed and the very small-scale sector in order to create more employment opportunities.<sup>11</sup> This would involve first determining the nature of the barriers currently faced by the poor when they try to enter into informal (as well as formal) economic activities. This analysis would hopefully take into account *psychological, sociological and political as well as economic* barriers. A few of these considerations will be discussed briefly below.

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<sup>11</sup> Without knowing enough about South Africa, I can only make general comments regarding policy issues. Many of the comments below are reactions to the chapters on the second economy (“The Two Economies and the Challenge”) and industrial policy (“Competing Globally, Restructuring Locally”) in Alan Hirsch's book, *Season of Hope*. I was very happy to see that the economic advisors to Mandela and Mbeki are familiar with a wide range of development examples and approaches (even though the interpretations of East Asian experiences are somewhat contradictory to my understanding of these issues, the breadth of approaches is gratifying).



### *Psychological barriers*

I found it interesting that the refugees working around Warwick Junction were surprised that poor South African citizens often prefer to work for others (e.g., vendors who are employed by Indian owners of stalls in Warwick Junction), rather than own and run their own stalls. Of course, in the first case the risk and initial costs are borne by the employers, but the refugees think that if the poor were able to own and run their own stalls the financial benefits to them would be much greater and would be the better arrangement by far. They are also surprised that, to many South Africans (not all, by any means!), “work” means a job with a regular paycheque, rather than self-employment. The refugees, in contrast, often come from economic cultures in which self-employment has been very common for generations, and it seems that setting up and trying out a wide range of economic activities comes relatively easily to them.

If their impressions are correct, it may take systematic efforts to convince many poor South Africans – who never had the chance to start their own or even have personal experience with small agricultural, industrial/craft, or service activities and enterprises – to even begin thinking about taking this on. **Education and training** that focus on such issues as self-employment, the wide variety of forms of successful informal work (and, in some cases, collective efforts, including producer groups, joint marketing, purchasing cooperatives, and the like), the formation of informal workers’ organisations and networks, and the role of women’s organisations may help give very practical advice regarding what can be done, what types of products or services might be viable, how to minimise risk, and other related concerns. The follow-through would then be to provide continuing outreach and assistance to those who have promising ideas, helping to minimize the financial and other problems they will encounter.

### *Sociological and political barriers*

The specifics of these types of barriers depend on local conditions. For example, in Durban one person mentioned that street committees can wield a great deal of power, and that this may be one factor that can have an influence over who can enter and carry out an informal profession successfully. In Indonesia, some poor women workers also say that “social capital” to them is the ability to know someone and know how to pass on money to that influential person, because without his or her help one cannot get a job. The lack of this type of “social capital” thus is a major barrier to entry. In Lao PDR, some types of informal work within the country are already in the hands of certain groups (e.g., Vietnamese or other regional groups), and these realities need to be taken into consideration before trying to enter into new informal professions since an informal division of labour may be the only realistic option.

Other sociological and political as well as economic barriers to entry have been the focus of such studies as the one we read for the EDP entitled “Perceived Barriers to Entry into Self-Employment in Khayelitsha, South Africa: Crime, Risk, and Start-up Capital Dominate Profit Concerns.”<sup>12</sup> Appropriate responses will no doubt have to be determined on a case-by-case basis, since barriers can differ from one locality and one

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<sup>12</sup> According to authors Paul Cichello, Colin Almeleh, Liberty Ncube, and Morne Oosthuizen, “Crime...the risk of business failure from one unlucky month, a lack of access to start-up capital, high transport costs, and jealousy within the community individuals face if self-employment is successful” were found to be the main barriers to entry in this case study (Draft Version, September 2006).

group to another; moreover, some of the barriers are likely to be easily lowered, while others may be intractable.

#### *Economic barriers*

One approach to fostering a healthy informal economy is to begin by lowering *costs* and *risks* as potentially important barriers to entry. This certainly needs to be done. However, for those who are not used to thinking in terms of self-employment and very small-scale enterprises (including policymakers as well as potential entrants), additional initiatives are critically needed.

Moreover, in the context of an economy with very high unemployment rates and a very small informal economy, the conventional approach of a little capital (e.g., through microfinance institutions) and skills training in which people are trained and then sent out on their own is not likely to be the solution. The problem is not only that the very poor are usually not reached. Even if new undertakings do emerge from the “capital and training” approach, often a great deal of supply of certain types of products and services is created, but with little *demand* there will be a great deal of disappointment. Government procurement is helpful, but the impact will be limited and such programmes must be monitored because of possible favoritism/patronage problems, and public works programmes can only go so far.

A number of other measures to improve the demand side can be taken up. Certainly the present situation, in which formal enterprises – including those with a great deal of monopoly power – occupy the economic space that is open to informal enterprises in many other countries, needs to be changed. However, care needs to be taken so that this does not result in simply a shift from one favored group to another.

The **integration of the domestic economy**, with different sectors buying from and selling to each other, is also very important in this context. Mutually beneficial linkages between the small/very small-scale sector and the formal sector may not be easy to foster, but if attention is given to this (after determining the current “state” of linkages) it is possible that a more beneficial relationship can be worked out.

Exports based on labour-intensive production of course can also be encouraged, but the experience of countries in South East Asia is that these markets and jobs are usually too unpredictable and unreliable to provide sustainable livelihoods for the poor for more than a few years, particularly if multinationals continually seeking the lowest costs of production are involved (the poor generally work on low-end forms of production, which are not sustainable under these conditions). This export strategy can be part, but not the main focus, of labour policies directed toward informal and “casualised” (factory-based) workers as well as formal workers.

A wide range of developing countries have promoted very small-scale economic activities through government programmes, including some less and some more systematic in their approach in terms of trying to link up the small and very small-scale sectors with other parts of the economy.<sup>13</sup> Most of the successful examples

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<sup>13</sup> In South Korea – as opposed to Taiwan, Japan, and other East Asian countries – it is said that government policies ignored the small- and very small-scale sector for too long, focusing mostly on the large-scale sector, and had a difficult time redressing this problem, but finally did realise the need to do so.

involve **protecting and promoting** these very small-scale income- and employment-generating activities as “infant industries” of a sort – protecting them for some time (not forever, with a clear timetable as protection and support are gradually reduced and then removed). Examples of such policies include:

China’s earlier and successful efforts to help reorganise small-scale and isolated units into networks that can increase their efficiency (providing them with access to new technologies, the creation of a national brand, joint marketing under that brand name, etc.).

India’s and Mexico’s (along with other countries’) promotion of handicraft and cottage industries through help with finance, design, provision of better inputs and raw materials, nationwide and internationally-oriented marketing, and other assistance.

Japan’s quality control assistance and other direct and indirect policies aiding the very small-scale sector, including protection as well as active promotion through different programmes (awards for outstanding craftsmanship and ideas, the creation of local specialty products and services in rural and urban areas, the promotion of indigenous and “blended” knowledge, etc.). Linkages between the very small-scale sector and medium- and large-scale enterprises (including both direct and sub-sub-contracting arrangements) have also been encouraged, with technology and ideas flowing in both directions.

Policymakers in South Africa recognise very clearly the importance of developing good, complementary educational, technological, industrial, and other related policies that work together to build up domestic capabilities. However, these need to be extended to the informal economy and very small-scale sector in an explicit, systematic and coordinated way.

In this regard, a number of Asian countries have adopted **technology policies** that can benefit (directly or indirectly) the informal and very small-scale economic activities. These can in part be summarised as the following:

**Technology laddering** – moving up the “technological ladder,” referring primarily to planning and technology policies on the national level, but this can also be seen as referring to the individual level (i.e., assisting informal workers in the effort to move from doing bare survivalist work to a more sustainable position);

**Technology blending** – combining indigenous/local knowledge, designs and techniques with “external” knowledge to come up with more useful and effective products, processes and services; and

**Technology clustering** – often pursued together with industrial clustering, which involves the idea of a geographical center for certain types of activities that “feed into” each other. (*Technology* clustering implies bringing together complementary skills and technologies that can be applied in new ways and potentially to a wide range of activities; here, the emphasis is on innovation, new product development, and the development of new processes across a wide range of uses.)

Government programmes to aid the process of *technology laddering* include building up the educational, technical and scientific capabilities that will allow the adoption, and local modification/adaptation, of technologies that are more appropriate or beneficial as technological advance proceeds and spreads throughout the economy – **including to the informal and very small-scale sector** through extension and cooperative ties – learning from the technologies and patterns set in other countries

(i.e., modifying the “blueprints” to meet local conditions). *Technology blending* is achieved in a number of ways, but government awards and financial assistance are common means of promoting these endeavors; **this is often used in promoting informal types of economic activities** (e.g., in areas that involve a knowledge of craftwork, botany, local medical traditions, and other area in which “traditional” knowledge can be beneficially applied to new uses). *Technology clustering* is often part of broader policies aimed at technological catch-up and altogether new forms of innovation, which may sometimes incorporate technology blending as well. Although the most well-known forms of technology policies are those that involve relatively large-scale domestic enterprises, they also benefit the informal and very small-scale sector when explicitly aimed at those segments of the economy. In Asian countries new innovations or designs, both for the very small-scale and large-scale sectors, are generally tried out and perfected in the *domestic* market before turning to export markets.

Again, the goal of these policies and programmes is the development of **domestic capabilities**, and even very small-scale economic activities will need experience, access to and the means of using new technologies (products and processes), knowledge of quality control, ability to modify and innovate, and other related areas of knowledge and technical skills. These capabilities usually develop not in big jumps, but in the incremental accumulation of skills, knowledge, and experience over time. As argued above, in order to allow these capabilities to develop, a system of (limited and time-bound) protection and promotion for the development, modification and application of certain types of technologies and certain employment-generating economic activities and industries is needed.

The examples of economically successful countries in Asia are clear on this point. They have generally also put an emphasis on the fostering of local (even backyard) production, community-based vendors and markets, and protection against both imports and chain stores that would not only overwhelm the local “inefficient” system of neighborhood shops and cut off markets for locally-produced goods, but also undercut the person-to-person ties, local employment, and local income base. It is worth pointing out that countries such as Japan have *benefited* from decades of tolerating precisely this type of economic “inefficiency,” which can ultimately be very socially “efficient.” As many European economists point out, policies that are socially beneficial should take precedence over simple economic efficiency as a planning goal. With respect to technology, a tolerance of technical and economic inefficiency for some time is also needed during the learning process of technological catch-up/technological advance. Of course, the lessons of some parts of Asia, Latin America and Africa warn against allowing stagnation and privilege of any sort – e.g., stagnant oligopolies – behind protective walls to develop and continue indefinitely (this type of inefficiency is *not* needed). Both the design and implementation of policies and programmes must be carried out carefully and the progress monitored to protect against favoritism and poor uses of funds.

To be effective, programmes to foster an expanded and healthy informal economy would also have to be designed to meet the circumstances and needs of different groups of informal workers. For example, in certain communities **women with household responsibilities** may not be able to come forward or make use of ILO-type employment centers and training programmes. (Our experiences in Durban made it

clear that cultural sensitivity to the gender and household dynamics of different subcultures within South Africa need to be taken explicitly into account.)

For this reason, programmes designed to facilitate self-employment, subcontracting arrangements, and technology upgrading specifically for women workers may require meeting at certain times of the day, or in a location where childcare can be arranged if needed. This would apply equally to women involved in street vending and street service providing, homebased production, and in small-scale (community-based or neighbourhood) workshops and enterprises, among other types of economic activities. We may find that the expansion and/or upgrading of homebased (including land-based) economic activities may be most useful for some women, particularly for those with substantial responsibilities at home. In South East Asia, homebased women workers who are members of HomeNet (a network organisation of informal workers) often begin such economic activities and community enterprises by producing daily necessities such as food items, articles of clothing, and then low-cost detergents, nutritional supplements, Christmas ornaments, and other products needed by the poor but not available in affordable form or quantities in stores.

For others, the most important improvement may be to establish systematic and mutually beneficial linkages between producers (including very small-scale growers) and vendors. Network organizing and access to technological and other resources would be critical to bringing these two components together and making everything work. SEWA, of course, takes this even further, combining **network organizing** – often involving **women’s producer groups or cooperatives** – with **joint marketing** to not only local but also more distant markets, and **product differentiation** (e.g., in the creation of RUDI brand products), among other efforts.

For certain parts of the population (e.g., women in a rigidly patriarchal society or impoverished men), the importance of **informal workers’ organizations and networks that members can trust** cannot be overstressed. In addition, the **creation of ongoing beneficial ties between these organizations and other supportive institutions and organizations** (design institutes, universities, government and non-government organisations, research institutes, CBOs, religious organisations, etc.) is a very important component of this effort to strengthen the informal economy. For example, we have plenty of examples of poor women workers who cannot respond to growing urban and international markets and instead are stuck in declining segments of the same profession (e.g., making goods in a way that is “traditional” but faces declining demand). Collective ties that bring in information, ideas, marketing channels, access to high quality raw materials, allow a build up of a varied inventory, and the like will help them reorient and further develop their skills, products and services.

However, even with all of these positive developments regarding informal workers’ organisations and *member-based* organisations (i.e., unions, networks, and other *member-driven* organisations, as opposed to the typical NGO structure), we find that other threats to informal work are growing rapidly. For example, there is a significant new threat connected with both **legal and illegal imports**. In the Philippines, for example, both informal women workers and other members of their households (husbands and other relatives) that have gained a certain amount of stability in the past are now losing their jobs in large numbers. They lose not only their jobs as

“outworkers” (subcontracted labour) tied to labour-intensive export-oriented factory production (for *international* markets) as the factories close down and go to places with even lower costs of production, but they also lose the *local and national* markets that have always been their main source of income and employment.

This problem is spreading rapidly in Asia. Even in Durban, one refugee we spoke with (a shoemaker) says that he had to give up this profession because he could not compete with cheap imports. When we discussed alternatives for homebased production with other refugees, again the question of not being able to compete with cheap imports came up. This is not only an issue now, but is likely to become an even more pervasive problem in the future. There is no easy solution, unless a national or ultimately a global consensus is reached.

Finally, as conditions change (e.g., due to globalisation and climate change), basic thinking with respect to “tried and true” economic activities will need to change. For example, as drought becomes more frequent, new crops that can do well in arid regions (e.g., certain biofuels) will have to be part of the solution, and hopefully can be produced in a way that gives decent and sustainable employment to large numbers of those who are currently unemployed or underemployed.

The search for new alternatives and a questioning of long-held mindsets will be critical for both the informal and the formal economy.

Host 7 : Craftworker

Facilitated by Sdu Hill and Makhosi Dlalisa.

Participants: Namrata Bali and Vivian Fields

### **Personal Reflection: Namrata Bali**

In SEWA I have attended various types of EDP. But this was different as it was on foreign soil. Thank you WIEGO, Cornell University and University of KwaZulu-Natal for this opportunity. My heartfelt thanks to my host who welcomed us all into her family and shared her life struggles and happy moments. We never felt as if we were with a foreigner. No matter wherever we go in this world when we meet people, and especially the women from the informal economy, the issues are so similar. It was like I was meeting Dhuliben, the vegetable growers from Sabarkantha or Chandaben, the bidi roller from Ahmedabad in India for an EDP.

The household breakdown of the host family : Mr. E. B N., the household head, 51 years old. His wife is our host lady. She is 50 years old. They have six daughters and three grandchildren. He works for the meat factory where they deliver meat to different shops and in different places in KwaZulu Natal province and in other African countries such as Zimbabwe. The Host works in the gardens and poultry project. She also does beadwork. They have five daughters and three grandchildren living with them in the household and one daughter living in Escourt with the host's sister.

Their eldest daughter is 26 years old. She has completed Grade 12. She is currently at home, taking care of her three children, one daughter and two sons, who are twins. She is a very intelligent young girl but a little mentally derailed. Before her children (twins) she used to sell tomatoes in the village. B. the second daughter is 23 years old. She has completed Grade 12 and is currently studying International Trade at a college in Durban. B., the third daughter who is 21 years old, is the non-household member living with The host's sister in Escourt. She is doing Grade 11 this year. (She failed Grade 12 in 2006. She moved to another school in Escort, where she was forced to go back and do Grade 11. In fact, schools do not accept new scholars from other schools to do grade 12). The Host sends R300 every month to Escourt to support her daughter. Then there N., 17 years old who stays with the host and her husband. She is doing Grade 11. N. who is 16 years old, doing Grade 9 and 12 years old No. (their last-born) doing Grade 7 are also there living in the same house.

The Host's grandchildren living in the household consist of N's, (the host's eldest daughter's) children. T. is 2 years old. K. and A. are two twin brothers who are four months old. The household thus comprises of total 11 members, 10 household members and 1 non-household member.

The Host is hard working woman. In her daily work she switches between being a home based worker, a poultry farmer and a bead worker and also a vegetable grower. There is a multiplicity in her work. She told us that her daily activities vary. For example, there are days when she does household work. In this case, she does not work in the farm. Sometimes, she works in the farm only. Then, she gives us two different programs/clocks of her day activities (see below). We closely follow both the clocks and try to understand her work pattern, both her paid work and unpaid work. What concerns us is that in spite of putting in so many hours of work and undertaking so much physical labour it does not earn her a living.



We left with our host after lunch. Our group was a little large than the others as we had two facilitators with us, Sdu and Makhosi, Vivian and myself. It was a similar experience travelling to our host's village as to my previous EDP with Thandiwe. The group was quite excited and each one of us had jokes to crack which made our long travel interesting. On the way we bought some vegetables for our dinner that night and our host made a call to her daughter informing them that we were on our way. Makhosi and Sdu both were from the same community. Makhosi had a strong educational background and had worked on issues like health and specifically AIDS. Sdu, although very young, had more experience of life. She had an excellent sense of humour. While Sdu was our facilitator in understanding the social issues and family matters Makhosi helped me with our host's clock, and Vivian was our official photographer.

The long travel from the hotel to Engomyameni meant our transport expenses were very high. As Vivian commented this is the same amount that she would be spending in the U.S.

It was a great contrast from my previous experience as the house was a very simple one, originally made of mud and later on repaired and made concrete. But parts of the mud house were still there. There was no running piped water and the toilet was a little distance away from the house. For bathing, they either used the old mud house or one of the rooms in the present house. The concrete house has rooms and a kitchen. Of the 4 rooms, one was used as a living room. The room next to the kitchen was used by us for sleeping along with our host and her granddaughter. A small room was occupied by her elder daughter with twins. The mud house was in a very dilapidated condition. It was used either for dumping or for bathing. On the other side was a rondavel (a round house) used as an extended kitchen where the stove was a traditional one with twigs and plastic used as fuel, and most of the cooking and heating water was done there.

The other kitchen which was part of the concrete house had some amenities like a kettle, refrigerator, some electrical appliances and utensils. There was furniture and a television in the living room but the other rooms did not have any furniture except for one bed and a few bags which had clothes and sheets.

Our host was much poorer than my previous host lady, Thandiwe. Host 7 was brought up by her aunt. As a child she lived with her aunt and she used to work with her on the farms from her early days. While we were discussing her childhood there was always something she felt sad about and when we asked her about it she said that her aunt did not let her study further than fourth class as her education was a financial burden on her. Although she remembers this incident very vividly and with much remorse she later on says that 'I did learn many things from my aunt especially about farming'. Not getting to the school and leaving it in between made her put all her girls into school and provide them with good education and we could feel this when we spoke to all the children. She would often tell us what she believed - that 'Education is the mother of success'.

In South Africa the fee for professional courses is very high. Her second daughter, B. who is doing business administration is studying on a subsidized fee which is subsidized by the host's husband's manager, but she attends the school only 3 days a week as the transportation costs are very high.

Our host is a strong woman who uses her knowledge in whatever she does, be it farming, bead work, poultry or household matters. Organizing her children's education as well as helping them to manage their time efficiently. But in all her active life she has had her ups and downs at the personal front.

In India very commonly among the middle class - dowry and marriage are associated as a big expense on families. Some experiences that I had were very similar to the Adivasi's (tribal) customs and traditions.

Here in South Africa our host explained about the custom of bride-price. In the former times the bride-price was a cow or cows. Although we hardly saw cows in the village, cows have been replaced by crates of alcohol, television, refrigerator and other electrical goods. It is very difficult for the families to collect or buy these items so marriage dates are prolonged and other difficult issues for the poor families emerge out of it.

Our host's marriage was equally difficult. Mr. E. and our host had one daughter before he could collect the necessary bride price and marry her.

After her marriage while she was pregnant he left her for another woman. The Host's in-laws helped her and supported her and got the husband back. He has a child who is supported by them even now. Again after a few years there was a similar incident and he came back.

While we were talking about all this suddenly Sdu (one of our facilitators) was very sad and on asking she shared her life story. Sdu had a very good sense of humour but that day she was sad as she narrated her story on a personal front. Sdu and her boyfriend had a relationship for almost 8 years. She has two children. After seven years her boyfriend decided to marry her. She was very happy about this and then a few days before her marriage they came to know that her husband is a criminal and the police were trying to find him and the wedding was cancelled. Our host's elder daughter is not married either but has three children. Our facilitator explained this is very common in South Africa.

The reason that it takes so long to get married is because there is always a bride price to be given and as there is a child benefit by the state, poverty in families influences your decisions. One of the reasons also shared by my facilitator was that it increases the vulnerability to HIV.

Our host, although strong, compromises with her personal life - Her aunt never let her study further than primary school but she aspires and wants all her children to be well educated.

She had difficulties in her early married life when her husband twice left her. But that has made her strong as a woman who takes all the responsibilities of her family.

Running the house on a very unsteady income, managing her children's education, household needs, the house maintenance, social obligations, her role towards her grand children and taking a leadership role at the poultry, farm and discussing the needs of the community especially the woman with the village headman.

Sdu is another very strong person. After she decided not to get married to the person with whom she had two children, and was depressed for sometime but then took courage from her mother who supported her and her children. She says "It is because of her I was encouraged to start a small kiosk on the roadside". She is an excellent baker - makes cakes, pastries, buns, rolls & bread and supplies them to schools as well as private places and sells them from her multi utility store. Although she is very confident on the business side crime is a major barrier to their livelihood. She showed us scars from the times when people have tried to stab her and take away the money she has. There is always fear of robbery and crime for those who are in this kind of self employment.

We left with our host early next morning to work on the farm. She told us that she would take us through a short cut. The short cut was an interesting trip. We walked through different farms, up and down the hills, through narrow lanes sometimes slippery, sloppy, covered with knee-length grass, and by a river. When we reached the farm we found that the land was divided into different plots. The plot where we had to work was for vegetable growing. Our host told us she had cabbage, spinach, beans cauliflower and radish on it. The land was dry and it was clay soil. There was no direct water supply or any well. With not much water the land was cracking and the soil had become hard. Some of the saplings were dying. On that day we were supposed to loosen the soil. Our host had only one piece of equipment, and the rest of us either used a fork or some twigs which were lying there. This was the extent of her equipment.

The water was to be collected from a river nearby. We had to carry jars/ bottles of five litres each and fill the big drum which was the only water collection source for watering the plot. Again the walk to the river though nearby plots was not an easy job. Each one of us did five rounds of getting the five jars of water. The drum was still not full and there was not enough water for watering the whole piece of land.

I asked our host if this plot was really income generating. After all that work what was the group getting out of it? She said that they were getting advice from the social worker as well as the expert who comes from the government agriculture departments. She told us that she got this land from the Ministry of Agriculture. She told that their collective took a lot of time to get registered. There was also a social welfare department. Though there is a complete dependency by the locals on the government structure and the social security system, there is hardly any convergence between these two departments. I found that there were hardly any skill development initiatives. Women worked with primitive tools, appropriate technology training and action research was missing and there was no information dissemination or sharing and no support for equipment or other infrastructural facilities. Fertility is there but it is not supported by any scientific research to enhance cultivation. People grow crops but they do not know how to market them. Transportation system is very poor and expensive.

May be a simple sprinkler would have worked but how do you get information to the people who need it?

In one of our discussions I asked our host "If God came down to ask you, what do you want? What is it that you will ask for?"

She replied, "A good life". I asked her "what is a good life?" She said, "Have a steady job".

I asked her again "If a government official comes down what would you ask?" and she said, "I have a list of things". I said "Prioritise". She said "We need the laws to change. We want more flexibility. Our group has a grant of Rs. 250,000 (We are always told we are very lucky) but if we have to incur any expenses under this grant the government ask for three quotes. From where do we get them? We do not understand the procedures and beaurocracy. [We would] only if it was simplified. Secondly we wish to have water and electricity. We need water for our daily chores but more then that for our farming and poultry. We need a simple way of getting it to the site where we are working. This will definitely increase our productivity and efficiency. Electricity would help us find out new ways of getting technology. We dream to use the land we have purchased from our cooperative to develop it but only if water and electricity was there. We can have a computer centre for our youth. Copiers and fax machines (as we have to travel quite a distance to get this service). This way we will provide the service to the community as well as the cooperative will have some income".

One of the most touching incident was when on the day we were leaving in the morning the elder daughter (who was mentally unwell) came to me and said, "You are from India." I said, "Yes". Then she said "I know someone in India". I asked her "Whom?" she replied "Mahatma Gandhi" and I asked her how. She narrated the story of when Gandhiji was in South Africa and of the apartheid movement I was touched and reminded of our leadership training where SEWA leaders talk about Gandhiji's life.

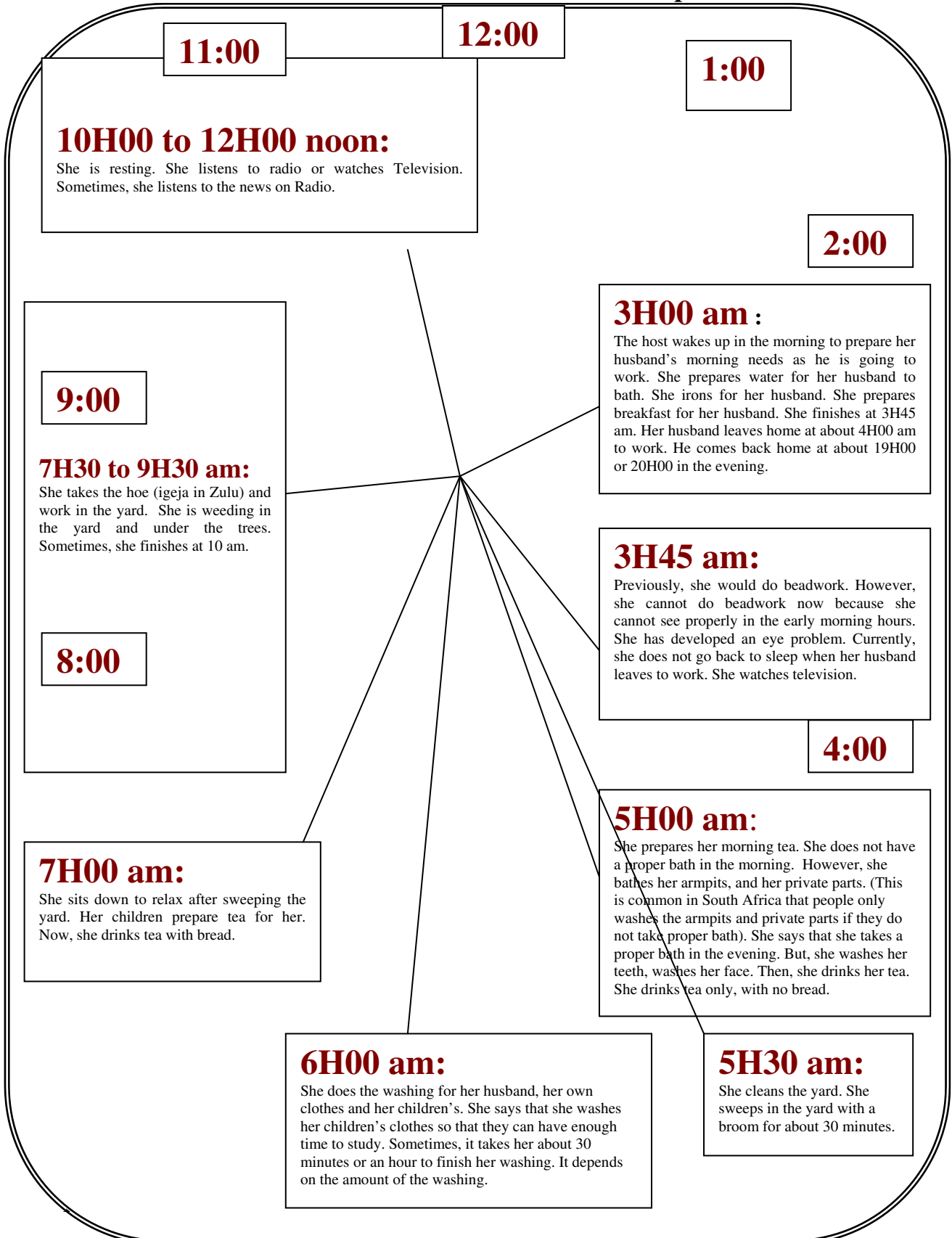
## **OBSERVATIONS**

Looking at our host lady and her life I felt that the immediate requirements at the **Policy Level** are:

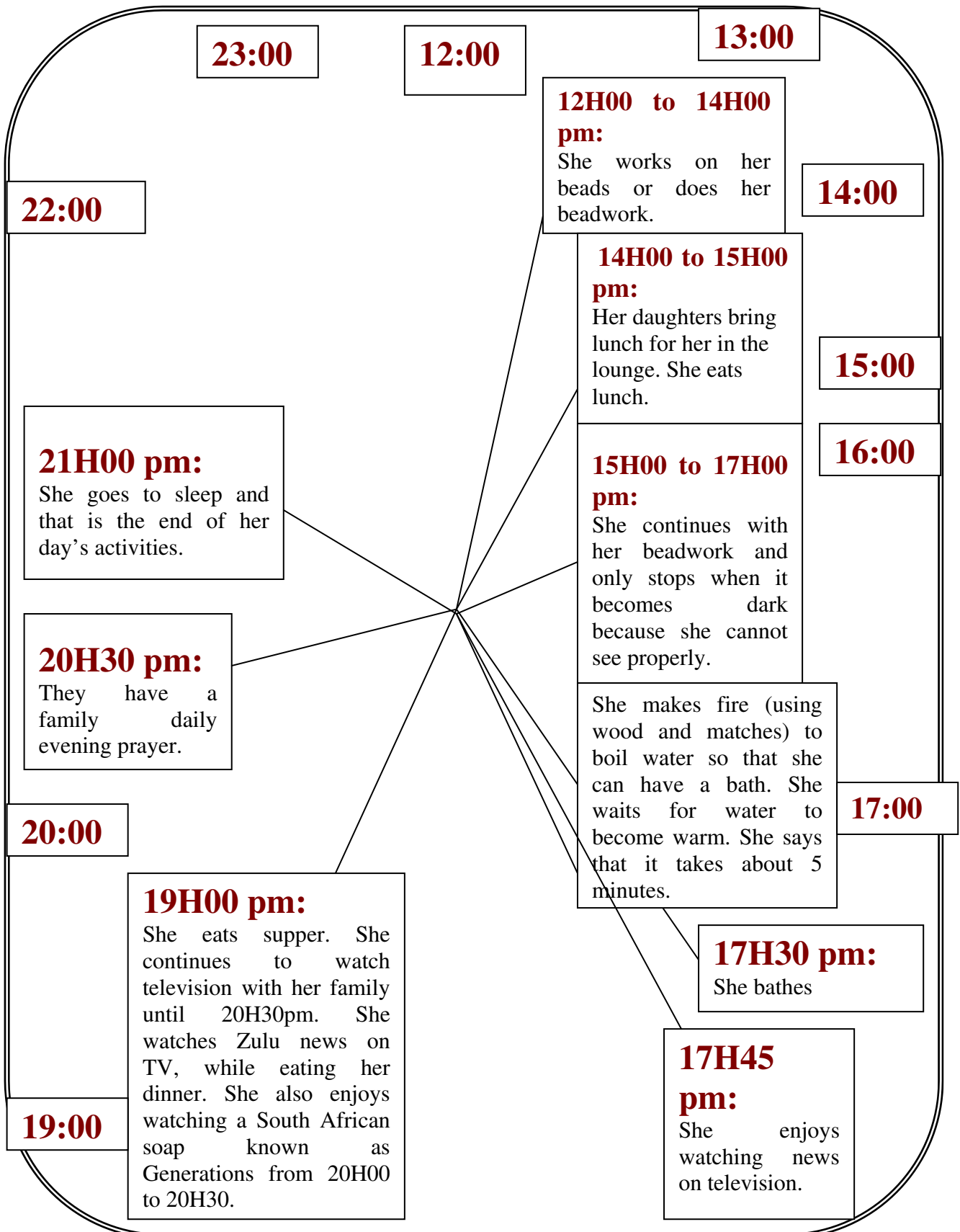
1. Integration of policies for the rural development department with agriculture and social welfare departments.
2. Identifying and supporting educational organisations for the poor, maintaining flexibility in the regulation of registration and getting schemes, recognition and support to their organisations.
3. Providing access to information for all, especially the poor
4. Developing infrastructure programmes with the involvement of the local community.

5. Promoting skills and skill based training schemes for the informal sector workers.
6. Getting a subsidized transport system.
7. Business development and marketing extension for the farm and non-farm activities. Bringing appropriate technology for minimizing the drudgery and increasing the productivity of informal occupations.
8. Easy dissemination of information for the poor regarding the Government programmes.
9. I observed groups working individually and collectively as self-employed doing handicraft, masonry work, poultry, farming, hairdressing, running, a kiosk block/ brick making, sewing & tailoring. There is a commitment and determination to do something for their own community or neighbourhood. The first step towards organizing and coming together (thanks to the foundation work done by SEWU- South Africa) is there - to some extent some groups have got their registration and some are working as self help groups - The need therefore is a umbrella organisation. It can be an association or a federation which links them to the macro and vice-versa which then allows recognition and representation of these workers.

## The Host's Clock From 3H00 am Onwards to 12H00 pm



**The Host's work Clock From 12H00 Noon Onwards.**



**I also include here our host's household expenditure (in Rands) to give an insight into her spending and earning.**

**Household Income**

R300 per week	Gardens
R600 per week	Her husband's salary
R300	From Poultry project after every six months.(Group divided money)

**Income from the Collective:**

R1200	Poultry project.
R600 per week	Beading (If she has work)

**Expenses**

R1050	Food per month
R200	Electricity per month (R50 per week)
R60	Phone per week
R50	Corporate (savings per month)
R250	Transport per week
R300	Support for non-household daughter per month
R347	School (For the whole year)



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