



**UNDERSTANDING SUSTAINABLE LIVELIHOOD STRATEGIES OF INFORMAL  
TRADERS: A CASE OF MOUNT FRERE, EASTERN CAPE**

**By**

**WENCESLOUS MAGO**

**STUDENT NUMBER - 2012113631**

**A RESEARCH DISSERTATION SUBMITTED IN PARTIAL FULFILMENT OF THE  
REQUIREMENTS FOR THE DEGREE MASTERS IN DEVELOPMENT STUDIES**

**(MDS)**

**in the**

**FACULTY OF ECONOMIC AND MANAGEMENT SCIENCES**

**CENTRE FOR DEVELOPMENT SUPPORT**

**at the**

**UNIVERSITY OF THE FREE STATE**

**BLOEMFONTEIN, MAIN CAMPUS**

**JANUARY 2018**

**SUPERVISOR: DR. NGEK BROWNHILDER NENEH**

## ABSTRACT

This study sought to understand the livelihood strategies of informal traders in Mount Frere, Eastern Cape in South Africa. The study was conceived from the hypothesis that views informal economic participation as an alternative to formal employment, where the latter is scarce. The point of departure for the study was that informal trading of both goods and services is employed as a livelihood strategy in the battle against poverty. Placing the inquiry within the Sustainable Livelihoods Framework is a way of recognising that informal trading is in some cases the only survival strategy while in others it constitutes just one livelihood strategy closely linked to other diversified means of living. The Sustainable Livelihoods Approach was used as a framework to guide the analysis aimed at understanding the sustainable livelihoods of informal traders in Mount Frere, Eastern Cape in terms of the vulnerability context they find themselves in, the assets they use, the organisations or institutions that affect their activities and the results they get out of their informal entrepreneurial efforts. The review of theories, concepts and prior empirical studies on both the informal economy and sustainable livelihood strategies helped in identifying the challenges that are faced by informal traders as well as the coping strategies they employ, in order to relate these to the situation of the traders in Mount Frere, leading to a determination of the kind of support that may be rendered to them. The study focused on informal businesses, being those that are either not registered as legal businesses, or registered as legal businesses but not registered for tax. Data was collected from a sample of 125 informal traders, consisting of 100 CBD traders who operated within the CBD and 25 mobile traders who operated in the residential and rural areas around Mount Frere. The study followed the explanatory sequential mixed methods case study design in which the questionnaire and the semi-structured interview were used for data collection. The results from the study show that the predominant challenges the traders faced were competition, crime, inadequate infrastructure, and financial constraints. The traders however, employed strategies such as relying on social capital networks to mitigate the effect of some of the challenges. The majority of the traders in Mount Frere have other sources of income and the majority indicated that they got enough income from their informal operations to cater for individual and household basics such as food. These findings imply that informal trading evolves as a sustainable livelihood strategy, which depends on external support for it to flourish.

## ACKNOWLEDGEMENTS

I praise the Lord's name for he made it possible for me to take this small first step in this lifelong learning journey. Many people contributed to the successful completion of this project and I cannot mention them all. However, I need to mention a few whose contribution stands out.

- First and foremost, I would like to thank my academic supervisor, Dr. Ngek Brownhilder Neneh for her unwavering support throughout the entire project. She went beyond the call of duty and literally worked overtime to ensure that I finish the project on schedule. Without her accessibility and prompt feedback on my initial draft chapters, I would never have finished this project. To her I say, I can never thank you enough for the guidance in shaping this report. Indeed all the credit goes to you.
- Secondly, I would like to extend my gratitude to my dear wife, Tendai, for the emotional and financial support, love and encouragement in the difficult times that I went through during the course of the research; and for taking over some family responsibilities when I could not due to commitments related to this project. To her and our beloved two sons, Bradley Tinotenda and Michael, I would like to say thank you for allowing me to channel the limited resources that we had towards the realisation of this goal, which meant having to forgo some of your needs.
- Thirdly, I would like to thank all the MDS lecturers for imparting their knowledge to MDS students including myself. Most of that knowledge formed the basis of this study.
- Fourthly, I would like to thank the entire Centre for Development Support staff, especially the MDS Programme director, Dr. Deidre van Rooyen. To her I say, your empathy and encouragement to MDS students inspired and spurred me on.
- I would also like to thank Cindy Reynders and her husband Kimmon for their kindness and material support, which came at the most critical time of my studies.
- Lastly, I feel indebted to all the informal traders in Mount Frere, who participated in the research, for giving me valuable information that helped me in compiling this report.

*Hard work on its own is simply not enough. A helping hand, here and there, no-matter how seemingly insignificant, makes all the difference.*

## DECLARATION

I, Wenceslous Mago, Student number, 2012113631, hereby declare that the dissertation titled **‘Understanding the sustainable livelihood strategies of informal traders: A Case of Mount Frere, Eastern Cape’** is my own original work and that it has never been previously submitted for assessment at any institution. All secondary sources consulted and used in writing this report have been duly acknowledged and properly referenced in accordance with the rules and regulations of the University of the Free State.

Wenceslous Mago

January 2018

## **DEDICATION**

I dedicate this thesis to my late father, Norbert, Obert Mago who instilled in me the love of reading and value of lifelong learning. He is the one person who showed infinite trust in me and although I sometimes disappointed him, he never gave up on me. May his soul Rest in Eternal Peace.

## TABLE OF CONTENTS

ABSTRACT.....	ii
ACKNOWLEDGEMENTS.....	iii
DECLARATION.....	iv
DEDICATION.....	v
TABLE OF CONTENTS.....	vi
LIST OF FIGURES.....	xi
LIST OF TABLES.....	xii
CHAPTER 1: OVERVIEW OF THE STUDY.....	1
1.1 Introduction.....	1
1.2 Background to the study.....	7
1.2.1 The informal sector and informal trade in South Africa.....	7
1.2.2 Study area.....	10
1.3 Problem statement.....	11
1.4 Aim of the study (broad objective).....	13
1.5 Contributions of the study.....	14
1.6 Research methodology.....	17
1.6.1 Research design.....	17
1.6.2 Population of the study.....	20
1.6.3 Sampling technique and design.....	20
1.6.4 Data collection methods.....	23
1.7 Data analysis.....	26
1.8 Reliability and validity.....	27
1.9 Ethical clearance.....	27
1.10 Organisation of the dissertation.....	28
1.11 Chapter summary.....	29
CHAPTER 2: THE INFORMAL ECONOMY AND THE EMERGENCE OF THE SOUTH AFRICAN INFORMAL ECONOMY.....	31
2.1 Introduction.....	31

2.2 The informal economy .....	31
2.3 Defining the informal economy .....	32
2.3.1 Definition by income and employment enhancing potential.....	33
2.3.2 Definition by employment categories.....	33
2.3.3 Definition based on location of informal economy actors and by activities .....	34
2.4 Snapshot of global informal economy .....	34
2.5 Schools of thought on the informal economy.....	39
2.5.1 The dualist school.....	39
2.5.2 The structuralist school.....	40
2.5.3 The legalist school.....	40
2.6 Reasons behind the emergence and growth of the informal economy.....	41
2.6.1 Poverty and exclusion and the growth of the informal economy .....	42
2.6.2 Globalisation and the growth of the informal economy .....	44
2.6.3 Migration and the growth of the informal economy.....	45
2.6.4 Urbanisation and the growth of the informal economy .....	47
2.6.5 Gender inequalities and the growth of the informal economy .....	48
2.6.6 Weak education and training and the growth of the informal economy .....	50
2.7 The informal economy in South Africa.....	51
2.8 Challenges faced by informal traders of goods and services .....	52
2.9 Chapter summary .....	56
<b>CHAPTER 3: SUSTAINABLE RURAL LIVELIHOOD STRATEGIES .....</b>	<b>57</b>
3.1 Introduction .....	57
3.2 Definition of key terms .....	58
3.2.1 Defining Sustainable Development .....	58
3.2.2 Defining Livelihoods.....	60
3.2.3 Defining sustainable livelihoods and livelihood security.....	61
3.2.4 Defining livelihood diversification.....	62
3.2.5 Types of livelihood diversification.....	64
3.2.6 Livelihood diversification between the informal economy and agriculture.....	65
3.2.7 Livelihood diversification among informal traders.....	66

3.3 The Sustainable Livelihoods Approach .....	67
3.3.1 Vulnerability context .....	70
3.3.2 Framing the vulnerability context of informal traders in Mount Frere.....	71
3.3.3 Livelihood assets .....	77
3.3.4 Transforming structures and processes.....	83
3.3.5 Livelihood strategies and livelihood outcomes .....	86
3.4 Sustainable rural livelihoods in South Africa .....	90
3.4.1 Agriculture.....	90
3.4.2 Informal economic activities .....	91
3.4.3 State cash transfers .....	91
3.4.4 Social reciprocity and mutuality.....	92
3.4.5 Migratory practices, urban formal employment and rural linkages .....	93
3.5 Linking sustainable development to livelihoods and the informal economy.....	93
3.5.1 The local economy.....	93
3.5.2 The green economy.....	94
3.5.3 Informal trading and sustainability.....	95
3.6 Linking the informal economy to the SLF.....	98
3.7 Chapter summary .....	99
<b>CHAPTER 4: RESEARCH METHODOLOGY .....</b>	<b>102</b>
4.1 Introduction .....	102
4.2 Defining Methodology .....	102
4.3 Research design.....	103
4.3.1 Quantitative research design.....	104
4.3.2 Qualitative research design.....	104
4.3.3 Mixed methods research design .....	105
4.4 Case Study.....	108
4.4.1 Entering the field site.....	109
4.4.2 Population of the study .....	111
4.4.3 Sampling technique and design .....	112
4.4.4 Pre-testing the research instrument.....	114



4.4.5 Data Collection .....	115
4.4.6 Data Analysis.....	121
4.5 Trustworthiness versus validity and reliability .....	126
4.6 Research ethics .....	128
4.7 Chapter summary .....	131
CHAPTER 5: EMPIRICAL FINDINGS .....	132
5.1 Introduction .....	132
5.2 PART A: Regional Distribution.....	132
5.3 Part B: Empirical findings.....	135
5.3.1 Descriptive information of informal traders in Mount Frere.....	136
5.3.2 Conclusion on descriptive statistics of informal traders in Mount Frere.....	143
5.4 Challenges facing informal traders in Mount Frere (CBD and mobile traders).....	143
5.4.1 Challenges facing informal traders in Mount Frere.....	143
5.4.2 Major disadvantage of working in the informal sector (CBD and mobile traders)	
(n = 125) .....	151
5.4.3 Conclusion on the challenges facing informal traders in Mount Frere .....	154
5.5 Sustainability of informal trading .....	155
5.5.1 The vulnerability context of informal traders in Mount Frere.....	155
5.5.2 Informal traders' livelihood assets (financial, social, human, physical, natural) .....	156
5.5.3 Impact of transforming structures and processes on informal livelihoods in	
MountFrere .....	162
5.5.4 Informal traders' livelihood coping strategies in Mount Frere (n = 125).....	165
5.5.5 Livelihood outcomes of informal traders in Mount Frere (CBD and mobile traders,	
n = 125).....	171
5.5.6 Other livelihood activities (diversification) used by informal traders in Mount Frere	
.....	176
5.5.7 Livelihood Support of informal traders in Mount Frere.....	181
5.5.8 Conclusion on sustainability of informal trading in Mount Frere .....	183
5.6 Summary of the findings .....	184
CHAPTER 6: CONCLUSIONS AND RECOMMENDATIONS .....	189

6.1 Introduction.....	189
6.2 Part A: Conclusions from empirical findings.....	189
6.2.1 Conclusion on descriptive demographic findings .....	189
6.2.2 Conclusion on business profiles of informal traders in Mount Frere .....	190
6.2.3 Conclusion on reasons for informal entrepreneurship.....	190
6.2.4 Conclusions on challenges faced by informal traders in Mount Frere.....	190
6.2.5 Conclusions on sustainability of informal trading in Mount Frere.....	191
6.2.6 Other conclusions.....	192
6.3 Part B: Achievement of the objectives of the study .....	196
6.4 Part C: Recommendations to the study .....	198
6.4.1 Improving access to credit (Financial capital).....	199
6.4.2 Infrastructure (Physical capital).....	199
6.4.3 Training and skills development (Human capital) .....	200
6.4.4 Promoting rural development and diversification of livelihood options.....	200
6.4.5 Re-emphasising importance of inclusive growth and employment creation.....	201
6.4.6 Formalisation versus support for continued informality: Response to structures and processes .....	203
6.4.7 Other recommendations.....	204
6.4.8 Summary of the recommendations.....	205
6.5 Part D: Limitations of the study .....	205
6.6 Part E: Possible areas for future research.....	207
6.7 Part F: Conclusion.....	207
REFERENCES .....	209
Appendix 1: Research questionnaire .....	222
Appendix 2: Semi-structured interview guide .....	233
Appendix 3: Interview consent form .....	236
Appendix 4: Faculty clearance.....	237

## LIST OF FIGURES

Figure 3.1: The Sustainable Livelihoods Framework (SLF).....	69
Figure 4.1: Process of the explanatory sequential mixed methods study.....	107
Figure 5.1: Challenges that face CBD informal traders in Mount Frere.....	144
Figure 5.2: Challenges that face mobile informal traders in Mount Frere.....	145
Figure 5.3: Major disadvantage of working in the informal sector (n=125).....	152
Figure 6.1: Sustainable Livelihoods Framework for CBD and mobile traders in Mount Frere..	195

## LIST OF TABLES

Table 1.1: Informal employment in South Africa and the Eastern Cape.....	9
Table 2.1: Indicators of the informal economy for 12 regions across the world (2014-15).....	36
Table 2.2: Average sizes of the shadow economy (%).....	39
Table 3.1: Examples of transforming structures that impact on livelihoods.....	84
Table 3.2: Examples of transforming processes that impact on livelihoods.....	85
Table 4.1: Formal commercial and service entities in Mount Frere.....	110
Table 4.2: Measurement techniques.....	123
Table 5.1: Total number of informal businesses and sample selected for the study.....	133
Table 5.2: Demographic profiles of CBD and mobile informal traders in Mount Frere.....	136
Table 5.3: Business profiles of informal entrepreneurs in Mount Frere.....	139
Table 5.4: Frequency distribution of reasons for informal entrepreneurship in Mount Frere....	141
Table 5.5: Resources that informal entrepreneurs use.....	157
Table 5.6: Frequency distribution of informal traders' coping strategies to mitigate challenges.....	166
Table 5.7: Frequency distribution of livelihood outcomes of informal traders.....	171
Table 5.8: Frequency distribution of livelihood support required by informal traders .....	181

## **CHAPTER 1: OVERVIEW OF THE STUDY**

### **1.1 INTRODUCTION**

The need to create and sustain livelihoods as a means to get billions of people around the world out of poverty has become a major issue from the perspectives of both policy and global development discourse (United Nations (UN), 2008; United Nations Environment Programme (UNEP), 2006; UNEP, 2007). Chambers and Conway (1991: 6) define a 'livelihood' as comprising of "the capabilities, assets (stores, resources, claims and access) and activities required for a means of living." The urgency accorded to the need to fight poverty through building and sustaining livelihoods is evident from the global attention it (poverty) has received in the form of successive UN resolutions aimed at addressing this global issue. Most notable among these anti-poverty resolutions are the eight Millennium Development Goals (MDGs) stipulated in the Millennium Declaration signed by 189 countries including 147 heads of state in September 2000 (UN, 2015; United Nations Development Programme (UNDP), 2003). This anti-poverty global movement has recently come in the form of seventeen Sustainable Development Goals (SDGs), the first of which is to end poverty in all its forms everywhere (UN, 2017). The emphasis on 'everywhere' follows the realisation that poverty is a global concern that affects both developed and developing parts of the world alike. Perhaps, what sets developed countries apart from developing ones in relation to the phenomenon is the 'relative' nature it takes in the former as opposed to the often 'absolute' or 'extreme' face it bears in the latter. Mention of the need to fight poverty 'in all its forms' brings to light the multidimensional nature of 'poverty' and the multiplicity of perspectives from which it can be conceptualised and defined, which makes it one of the most contested topics in the social sciences. Provision of productive and decent jobs for all, is envisaged as one way of ensuring sustainable livelihoods, with the ultimate goal of ending poverty as acknowledged in SDGs (UN, 2017; UNEP, 2011). However, in the absence of adequate formal employment, which has become characteristic of particularly developing countries, it makes sense for one to start thinking within the framework of 'livelihoods' as opposed to employment when trying to understand how people generate incomes to get themselves out of poverty. The realisation that formal employment forms only one aspect of sustainable livelihoods led to the concept of Employment and Livelihoods widely

used by the United Nations Development Programme (UNDP) (Souksavath & Achanya, 2009). In the face of scarcity of formal employment, coupled with what Neves and Du Toit (2013) perceive as the declining importance of agriculture as a source of livelihood due to a process of de-agrarianisation, informal economic participation emerges as a way of building and sustaining livelihoods in many parts of the world, including South Africa. South African rural livelihoods can be classified broadly into the following categories: land-based and agrarian activities; state cash transfers (social grants and pensions); social capital, through which remittances are transmitted; and informal economic activities (Neves & Du Toit, 2013).

The informal economy has been variously referred to as the *shadow economy* (Association of Chartered Certified Accountants (ACCA), 2017), *black economy*, *unreported economy* (Medina, Jonelis & Cangul, 2017), *grey economy*, *lack economy*, *cash economy* (Medina & Schneider, 2017), *invisible*, *clandestine*, *undeclared*, *unreported*, *irregular*, *subterranean economy* (Ratner, 2000), and *hidden*, *unobserved*, *alternative*, *unofficial economy* (Ruzek, 2014). The informal economy is also known as the *parallel economy*, and the *second economy*, among other descriptive terms. As Ruzek (2014: 24) points out, the descriptive terms depict “the varied opinions and aspects of the informal sector.” The informal economy exists in both developing and developed countries alike, albeit for different reasons. According to Jutting and De Laiglesia (2009), far from being ‘the exception,’ informality has rather become ‘the norm,’ across the world.

The term informal economy was coined in the early 1970s and has been defined differently by different people, but can generally be “described as consisting of activities that are unrecognised, unrecorded, unprotected or unregulated by public authorities,” (Becker, 2004: 9). In developed countries, the existence of the informal economy may be associated with a conscious decision made by individuals who wish to circumvent the difficulties, excessive requirements (Becker, 2004), “complex regulatory environments,” (ACCA, 2017: 18) and governmental bureaucratic red-tape (Medina & Schneider, 2017; Medina, Jonelis & Cangul, 2017) that formal registration of a business often entails. The size of the informal economy across the globe and the factors that push people into the informal economy differ from country to country. Population growth, rising unemployment, poverty and economic recession or downturn are some of the factors that

increasingly push people to participate in the informal economy (ACCA, 2017).

Schneider (2002) cites a large burden of taxation and social security contributions and government regulations as the main determinants of the size of the informal economy. In Austria, Norway, Sweden, Germany and the United States of America people turn to the informal sector to escape high tax and social security payments and a prohibitive regulatory environment (Schneider, 2002). To support this positive correlation between taxation and the informal economy, Schneider provides evidence that countries with the largest informal economies such as Greece, Italy, Belgium and Sweden also have the highest tax and social security burden (Schneider, 2002). Conversely, countries with the lowest informal economies such as Switzerland also have the lowest overall tax and social security burden (Schneider, 2002). Statistics from across the globe provide a reflection of the central role that the informal economy is increasingly playing in national economies. For example, during the period 2010 to 2015 the size of the informal economy averaged 18.24% in the highly industrialised Organisation for Economic Cooperation and Development (OECD) countries, 21.08% in East Asia and 34.8% in Latin America and the Caribbean (LAC) countries (Medina & Schneider, 2017).

In LAC countries, recent estimates put the number of informal workers in the region at 130 million, which represents 47% of the total population in the region (International Labour Office (ILO), 2016). Previously, informal employment in the LAC region was estimated at 46.8% of total non-agricultural employment in 2013 (ILO, 2016). Disaggregated across countries, informality varies, for example it stood at 36.4% in Brazil and above 70% in Honduras and Guatemala during the same period (ILO, 2016). Informal employment rates of 30.6%, 19.8% and 15.9% for Turkey, Armenia and Moldova (ILO, 2016), respectively, show the relatively high incidence of the informal economy in Eastern Europe, when compared to the more affluent countries like China, Japan and the United States of America, which during the period 1991-2015 recorded minimum informal economy sizes of 8.3%, 9.7% and 8.1% respectively (Medina & Schneider, 2017).

The growth of the informal economy particularly in developing countries has been explained as being a result of the failure of the formal economy to create enough jobs to accommodate the

ever-increasing number of unskilled job-seekers (Becker, 2004; Ruzek, 2014; Tshuma & Jari, 2013) with a much lower level of educational achievement. It has also been argued elsewhere that the informal economy persists and grows at a relatively faster rate in countries, which suffer from the combined effects of inadequate economic growth or recession, which are “associated with losses of income in the official economy thereby driving people into the shadow economy,” (Schneider, Buehn & Montenegro, 2010: 6). Related to this view is the claim that there has been a significant reduction of the informal economy in countries that have experienced positive economic growth, as demonstrated particularly in some Asian countries, where the informal economy has, in effect, declined during periods of positive growth and increased during economic recession (Becker, 2004).

In developing countries, the traditional form of the informal economy consisted of petty trading, small-scale production and a range of casual jobs, often undertaken by individuals and households pushed to those extremes by the ravages of poverty (Becker, 2004). However, in as early as the 1970s the informal economy was found by the ILO employment mission to Africa to have expanded and included profitable enterprises (Becker, 2004). The main point which all writers on the informal economy (for example, ACCA, 2017; Becker, 2004; Ratner, 2000; Ruzek, 2014; Schneider, Buehn & Montenegro, 2010; Smit & Musango, 2015; Tshuma & Jari, 2013) agree on is that it provides employment and an income to people who would otherwise not have employment or an income.

In Sub-Saharan Africa the size of the informal economy averaged 36.13% during the period 2010 to 2015 (Medina & Schneider, 2017). The growth of the informal economy in the region, with average sizes of 30.61% in Kenya, 45.27% in the Central African Republic, 54.05% in Gabon, 19.81% in Mauritius and 37.82% in Swaziland in the period 2010-2015 (Medina & Schneider, 2017), has been associated with the failure of the share of formal job opportunities to reach “vulnerable populations such as the poor, women and youth,” (ILO, 2016: 34).

Where goods produced and sold through the informal economy are taken into account when measuring a country’s economic growth, it has been found that the informal economy contributes substantially to a country's gross domestic product (GDP). According to Neuwirth (2011), the



global shadow economy was estimated to be worth ten trillion United States dollars in 2011. The ACCA (2017), while acknowledging the difficulties of measuring the informal economy, estimates that the shadow economy contributed above one trillion South African Rands (23.29%) of GDP in South Africa in 2016. The contribution to GDP is particularly higher in other Sub Saharan African countries with high rates of informality like Nigeria where the contribution of the informal economy to GDP, at more than 49 trillion Naira accounted for 48.37% of Nigeria's GDP in 2016 (ACCA, 2017). Similarly, the study by ACCA also reveals that the shadow economy's contribution to GDP is not only limited to developing or underdeveloped countries, but is a reality even in highly industrialised and developed parts of the world such as the United States of America where the contribution was estimated at close to 1.5 trillion United States dollars, which translates to about 8% of the United States of America's GDP in 2016 (ACCA, 2017).

The informal economy is also important and appealing especially to the poor as it is an alternative source for low-cost products and services (Ratner, 2000). It may be stated, at this juncture, there are some who are in the informal sector for survival purposes, in the absence of options. On the other hand, there are others, in the informal sector, who are driven by ambition to run successful businesses. As Neneh and Smit (2013) argue, entrepreneurs in the informal sector can be classified either as *necessity entrepreneurs* or *opportunity entrepreneurs*. The representation of necessity entrepreneurs and opportunity entrepreneurs in the informal economy is contested. For instance, according to ACCA (2017), the majority of people are drawn into the informal sector through necessity rather than choice (ACCA, 2017). This contrasts with the Global Entrepreneurship Monitor (GEM) (2018) report, which finds that only 28.9% of entrepreneurs across the globe are driven by necessity as opposed to the majority (71.1%) who are opportunity-driven.

Besides poverty and unemployment, it is apparent that there are other factors that drive the growth of the informal economy, thereby producing linkages with informalisation. These factors include, but are not limited to migration, urbanisation, globalisation, weak and inadequate education and training and the impact of the gender differential in terms of access to formal job opportunities. However, the poverty and informalisation linkage is arguably the most important

and plausible one, on which the growth of the informal economy, especially in developing countries, can be explained.

In order to understand the sustainable livelihood strategies of informal traders at Mount Frere in this study, the sustainability framework is employed, which necessitates drawing a tentative link between the informal economy and the broad concept of sustainable livelihoods. The concept of sustainable livelihoods can be understood within the broad concept of sustainable development as the former is a subset of the latter. Many definitions of sustainability stem from the Brundlandt report (Our Common Future)'s (UNEP, 2007: 7) definition of sustainable development as "development that meets the needs of the present without compromising the ability of future generations to meet their own needs". Sustainability encompasses the social, economic as well as environmental dimensions. In short, the environmental dimension of sustainability is concerned with protection of the environment, while the economic dimension is concerned with economic growth and the social dimension relates to equity. Sustainability encompasses intragenerational and intergenerational components, as it is concerned about the present generation as with future generations. Costanza and Patten's (1995) definition of sustainability as being able to survive or persist, is of particular interest in this study. This study draws on the Sustainable Livelihoods Approach (SLA) (Ellis & Freeman, 2004) as a theoretical framework for understanding the livelihoods of informal traders at Mount Frere in the Eastern Cape. The approach uses the Sustainable Livelihoods Framework (SLF) (Loison, 2015), which is made up of five components, namely; the vulnerability context, livelihood assets, transforming structures and processes, livelihood strategies and livelihood outcomes (Carney, 1998) to evaluate how the social, political, economic, environmental and institutional external environment determine people's capitals and how they are converted into livelihood outcomes (Loison, 2015). The diagrammatic presentation of SLF maps and displays how these components relate to each other and how they either aid or constrain individuals and households in their quest to build and sustain livelihoods. The SLF was originally designed for application in the analysis of rural livelihoods, but also has equal relevance in an urban set-up. The SLF is widely used in the analysis of livelihoods by many developmental entities such as non-governmental organisations (NGOs) and donor agencies, most notably the United Kingdom Department for International Development (UK DFID) (De Satge, Holloway, Mullins,

Nchabaleng & Ward, 2002). The framework is modelled along Chambers and Conway's definition of sustainable livelihoods. They define sustainable livelihoods thus:

A livelihood is sustainable when it can cope with and recover from stress and shocks, maintain or enhance its capabilities and assets, and provide sustainable livelihood opportunities for the next generation (Chambers & Conway, 1991: 6).

In line with this definition, of concern in this study, therefore, is the extent to which informal trading, either on its own or in relation to other livelihood strategies, emerges as a sustainable means of living.

## **1.2 BACKGROUND TO THE STUDY**

### **1.2.1 The Informal sector and informal trade in South Africa**

Informal trade, which is a subset of the Informal sector, is now a common phenomenon in Africa as in the rest of the world. Hart coined the term 'informal sector' in his study of urban employment in Ghana (Cohen, 2010). Informal traders can be defined as people that conduct business but are not registered (Horn, 2011). They may operate from a business premise but often they sell their goods and or services on street pavements, from homes, designated informal trader markets (in accordance with the relevant municipal by laws) or they operate on a **mobile** basis. According to Ncube, Shimeles and Verdier-Chouchane (2014), the economy of South Africa is one in which an advanced formal economy, by regional standards, operates side-by-side with a sizeable informal economy. The size of the shadow economy in South Africa is estimated to be at 23% of GDP (ACCA, 2017). Regardless of poverty and unemployment, South Africa has a relatively small informal sector by developing country standards (Neves & Du Toit, 2013). According to Statistics South Africa (Stats SA) (2017), as of December 2016, 2 695 000 individuals out of a total of 16 069 000 people classified as 'employed,' worked in the informal sector (Stats SA, 2017). The above figure of informal sector employment excludes domestic workers and those working in agriculture. In terms of numbers, men dominate informal sector employment in South Africa and the huge informal sector presence is due to high unemployment (Stats SA, 2017).

In South Africa, the unemployment rate stands at 27.7% (Stats SA, 2017). The Eastern Cape Province's average unemployment rate in December 2016 stood at 28.9%, more than two percentage points higher than the national average. The high rate of unemployment in the Eastern Cape may, in part, be due to the fact that a relatively large proportion of the population leave school before attaining the requisite skills resulting in low level of educational attainment, which constrains their chances of securing formal employment (Neves, 2017). The situation is compounded by the legacy of colonialism and apartheid, and the imbalances they imposed like the apportionment of inferior Bantu education (Aliber, 2003) to predominantly rural provinces like the Eastern Cape. This, perhaps, contributes to the poor human capital in the province that limits prospects of absorption into formal employment, thereby pushing people into the informal economy. The situation of unemployment and increased participation in the informal sector in the Eastern Cape Province may also be viewed against the backdrop of the South African economy, which is marked by unequal access to opportunities. This factor, arguably, plays an integral role in fostering informal economic participation by those with constrained opportunities of participating in the mainstream economy. Informal economic participation in the Eastern Cape Province, in which Mount Frere is based, may also be explained by the fact that the province has a relatively smaller mainstream economic activity when compared to other provinces such as Gauteng and the Western Cape. Understandably, those excluded from mainstream economic activity may be forced to seek solace in the informal economy.

A considerable proportion of the unemployed reflected in the above unemployment statistics get absorbed in the informal economy. In the Eastern Cape Province, informal sector 'employment' in December 2016 stood at 346 000 (Stats SA, 2017). The Non Metro area, where the study area (Mount Frere) is located has, by far, the largest share of informal economic participation when compared with the other two metro areas in the province, namely, Buffalo City and Nelson Mandela Bay. Table 1.1 below captures how informal employment in South Africa and in the Eastern Cape has changed over time between October 2015 and December 2016. The figures are given out of a national total of 16 069 000 people classified as 'employed.'

**Table 1.1: Informal employment in South Africa and the Eastern Cape**

	<b>Oct-Dec 2015</b>	<b>Jan-Mar 2016</b>	<b>Apr-Jun 2016</b>	<b>Jul-Sep 2016</b>	<b>Oct-Dec 2016</b>
<b>Informal Sector employment in South Africa (SA)</b>	2 684 000	2 565 000	2 507 000	2 641 000	2 695 000
<b>Informal employment figure in the Eastern Cape (EC) Province</b>	292 000	288 000	277 000	333 000	346 000
<b>Informal employment figure for the Non-Metro area of E.C</b>	222 000	227 000	205 000	239 000	245 000

Source: Adapted from Statistics South Africa (2017) Quarterly Labour Survey

Broadly speaking, economic sectors that are susceptible to informality include the following: agriculture; construction and civil engineering; tourism and events (including the hotel, restaurant, café and confectionery sectors); removals and house-minding; meat processing; industrial cleaning; domestic work; personal beauty services; wellness and healthcare; retail; vehicle repair; trade and transportation (ACCA, 2017). The informal economy is, however, dominated by service activities such as trade (Skinner & Haysom, 2017; Sparks & Barnett, 2010; Sustainable Livelihoods Foundation (SLF), 2016; Vanek, Chen, Carre, Heintz & Hussmans, 2014). In a study carried out in nine townships in Cape Town, in South Africa, it was found that of all informal activities on high streets, street trade at 59% of total informal economic activity dominated the informal sector (SLF, 2016).

The informal economy in South Africa is heterogeneous (Tshuma & Jari, 2013) and is

characterised by a dynamic and responsive quality (Neves, 2017). Informal economic activities in South Africa take many forms including the following: sale of cooked and uncooked foods; service sector, which includes barber shops, general stores (or kiosks), open air garages and sale of used clothing; and manufacturing of wood and metal products, that is furniture and metal household goods (Tshuma & Jari, 2013). In a way of accounting for differential gender distribution in informal economic activities, Tshuma and Jari (2013) note that women dominate the less profitable food and beverages sub-sector, whereas males dominate the more profitable manufacturing enterprises such as the production of household metal goods and furniture.

Informal trading of products and services is one of the major, and in some cases, supplementary livelihood strategies in Mount Frere, in the Eastern Cape Province in South Africa. A sizeable proportion of the rural population in areas surrounding Mount Frere is dependent on social grants which include child support grants, disability grants and old age pensions (Neves, 2017). This view is consistent with Perret, Anseeuw and Mathebula's (2005) observation that state transfers in the form of grants and old-age pensions constitute the lifeblood of rural livelihoods in South Africa. The grants are, however, often too little as a source of livelihood. As a result, the poor people have to come up with alternative or supplementary livelihood strategies such as informal trading of goods and services. Informal traders that are covered in this study include two types of traders. The first type of informal traders is made up of street traders who operate within the central business district (CBD) of Mount Frere and other informal entrepreneurs who sell goods and services within the CBD, all collectively termed ***CBD informal traders*** in this study. The second type of informal traders of interest in the study is made up of ***mobile informal traders*** who sell their goods and services in the villages surrounding town.

### **1.2.2 Study Area**

Mount Frere is a small rural town located in the former homelands of Transkei. Mount Frere is in the midst of rural areas that are characterised by abject poverty. It is situated along the N2 (a national road route connecting Cape Town and Durban), at about 320 km from East London and about 360 km from Durban. Relatively bigger towns on either side of Mount Frere, along the N2 route are Mthatha and Kokstad, (both at a distance of about 100km from Mount Frere), towards East London and Durban respectively. The small rural town of Mount Frere is ideal for this kind

of study due to its ease of accessibility and compact nature. The N2 is the 'main street' along which all the major activity in the small town takes place. In the context of this study, the ***CBD informal traders*** include street traders who operate on the pavements in front of the chain supermarkets, banks, clothing stores, shopping complex, public service points like government department offices and municipality, at taxi loading zones, at long-distance bus stops and fast food outlets that are all dotted on both sides of the N2 that cuts through the town. They sell a wide array of products, ranging from farm produce, including live chickens, to clothing, footwear, craft work and bedding. The CBD informal traders also include fruit and vegetable markets, cooked food outlets, informal clothing and electrical appliance stores, those who provide services like vehicle repairs, welding, hairdressing, shoe manufacturing and repairs, and public transport. The ***mobile informal traders*** who are predominantly migrant informal entrepreneurs operate in the outlying areas, trading in items like clothing, bedding and kitchen and household utensils and services such as building, carpentry, plumbing and welding. According to Skinner (2015) in Muller (2015), migrants across the world play a key role in the informal sector. Migrant informal traders contribute to South Africa's economy through selling goods in places convenient for the poor (Muller, 2015). In Mount Frere such migrant mobile traders take their goods and services to the consumers' doorstep in the residential areas around town and into the deep rural areas around Mount Frere. This is particularly convenient for the old and disabled as it saves them from the hassle of travelling to town in search of goods and services. Mobile entrepreneurs or village traders in Mount Frere, who are mainly immigrant informal traders, may be better understood when viewed within the context of cross-border migration and cross-border trade, which according to Peberdy (2000) is intertwined with South Africa's informal sector. In summary, this study focuses on both informal traders of products and services that operate within the town of Mount Frere (henceforth referred to as ***CBD informal traders***) and those traders who sell their goods and services in the residential areas, outlying villages and the deep rural areas around Mount Frere (henceforth referred to as ***mobile informal traders***).

### **1.3 PROBLEM STATEMENT**

South Africa has a relatively stable economy and, arguably, one of the most advanced economies on the African continent. However, in spite of modest economic performance and a vibrant

social security system in the form of state grants and pensions, many South Africans remain trapped in poverty. The National Development Plan (NDP), South Africa's own latest blueprint to eliminate poverty and inequality acknowledges that "achieving full employment, decent work and sustainable livelihoods is the only way to improve living standards and ensure a dignified existence for all South Africans," (South African Government, National Planning Commission (SAG NPC), 2015: 90). Moreover, it is acknowledged that supporting "non-agricultural activities," such as "small enterprises," is a way to build an inclusive rural economy and "boost development," (SAG NPC, 2015: 196). The high rate of unemployment in South Africa worsens the situation of poverty. Many individuals and households find themselves having to construct and sustain livelihoods in the informal economy, in order to take themselves out of poverty. Many of the formally employed, especially those in low-paid jobs supplement their individual or household incomes through some form of informal economic participation. Many of those who still primarily depend on farming as a means of living diversify into informal activities like small-scale trading to supplement their income. Even some of those who depend on state transfers and remittances derive a portion of their income from the informal economy in one way or the other. Even in other countries, the informal economy has been revealed to be an important source of livelihood not only to the owners of the informal businesses, but also to other people who are informally employed in those businesses. For instance, in a study that was carried out in Bulawayo, in Zimbabwe, the informal economy was also revealed to be a source of jobs for other people other than the business owners (50% were found to be employees of informal business owners) (Ndiweni, Mashonganyika, Ncube & Dube, 2014).

South Africa has also become a regional destination for immigrants who are also increasingly participating in the informal economy. People's livelihoods, whether formally employed or not, almost always involve some form of informal economic activities. In view of the above, the informal economy has, thus, become a common denominator of sustainable livelihoods as it occupies centre-stage in especially poor people's livelihoods, including those of immigrants who are being drawn to South Africa because of prospects of better economic opportunities. Informal economic participation constitutes a major block of an individual or household's portfolio of livelihood strategies for those who engage in it as a sole or supplementary livelihood strategy alike. It is the view of this researcher that efforts to understand the livelihood strategies of



informal traders in Mount Frere is necessary, on the one hand, to help unearth the opportunities that can be exploited to build resilient livelihoods and achieve sustainable livelihood outcomes that include accumulation of financial, human, social and physical capital. On the other hand, the focus is envisaged to simultaneously reveal the economic, social, political and operational challenges (Willemse, 2011) that hinder achievement of sustainable livelihoods, thereby pinpointing entry points for targeted interventions by government and other interested development partners. Above all, efforts to understand the livelihood strategies of the poor should start in the rural areas since the majority of the poor reside there as it has previously been estimated that about 72% of the poor live in rural areas (Neves & Du Toit, 2013). Studies of this nature may, therefore, help inform actions against poverty especially in a rural context. This way, this study constitutes part of social actions towards achievement of South Africa's NDP.

#### **1.4 AIM OF THE STUDY (BROAD OBJECTIVE)**

To understand and analyse the sustainable livelihood strategies of informal traders at Mount Frere, Eastern Cape.

In an effort to realise the above aim or broad objective, the following **specific objectives** will be achieved, theoretically through a literature review on the relevant areas and empirically through data collection, analysis and interpretation aimed at addressing those issues.

- To review theories, concepts and prior studies on informal traders around the world and in South Africa.
- To review theories, concepts and prior studies on sustainable livelihood strategies.
- To understand the characteristics of sustainable livelihood strategies of informal traders.
- To identify the various challenges or problems faced by informal traders.
- To identify the strategies adopted for coping with on-going crises, as part of the

empirical study.

- To provide recommendations, based on the findings from the fieldwork, on how traders can accomplish a sustainable livelihood through their trade activities (theoretical and empirical objective).

## **1.5 CONTRIBUTIONS OF THE STUDY**

The contributions of this study can be viewed from four perspectives, which are the theoretical and empirical perspective, methodological perspective, application perspective and policy perspective.

From a *theoretical and empirical perspective*, by building the study on a review of prior studies on informal traders and livelihood strategies around the world and in South Africa, and subsequently relating the findings from the current study to the findings in the literature, the researcher hopes to successfully place the study within the realm of existing knowledge thereby contributing to the body of knowledge. Based on the successful deployment of the sustainable livelihoods approach towards an understanding of the livelihoods of informal traders in Mount Frere, the study will give back and contribute to theory (SLA) in that it will mirror how *sustainable informal trading* as a livelihood strategy can, on the one hand be understood and on the other how to go about achieving it. By drawing and putting together knowledge from various disciplines, such as development studies, development economics, business/entrepreneurship, rural and urban development planning, history and sociology, among others, in constructing this study, it is the researcher's hope that the conclusions drawn from the findings, and the recommendations proffered would cross platforms and would be of value and generate interest from academics, development practitioners, development economists, non-governmental organisations, donor agencies, policymakers and all the associated disciplines. The empirical study will add to the literature that focuses on exploring the connection between the informal economy and sustainable livelihoods in the rural Eastern Cape Province. It is envisaged that the results and findings from this study will complement existing knowledge on the informal economy, livelihood strategies and sustainability thereof.

Also, from a theoretical and empirical perspective, it is hoped that the study will plug some of the gaps identified through the review of literature. For instance, through exploring the connection between the informal economy and sustainable livelihoods in the rural Eastern Cape Province, the study will re-emphasise, promote and rekindle renewed attention to the importance of the informal economy as a livelihood strategy. The study will lay bare some of the opportunities and immense possibilities that lie untapped in the informal economy as a livelihood strategy, as well as unveil the challenges faced by informal traders within the context defined in this particular study, thereby making inroads in mapping the way towards achieving sustainable livelihoods through informal trading.

Previous empirical research on livelihoods of informal traders has often neglected mobile informal traders. The literature review on informal trading also did not reveal studies that focus on the livelihoods of mobile village traders. Considerable literature (Nattrass, 1984; Tshuma & Jari, 2013; Woodward, Rolfe, Lighthelm & Guimaraes, 2011) refer to the generation of informal traders that operate within the CBDs or rural towns, which leaves out a generation of traders who live in the town but trade on a **mobile** basis in the outlying settlements including villages. These traders face challenges of a different nature that are worth exploring. This study will thus contribute empirically by attempting to close this identified gap in the literature.

Previous related empirical studies (Chirau, 2012; Hadju, 2006) have been conducted using the qualitative case study approach and, therefore, their findings cannot be generalised to the livelihoods of informal traders beyond the individual cases they focused on. The conditions that persist in those particular studies cannot be said to be similar to those that prevail in the situation of informal traders in Mount Frere to which this study refers. Moreover, although some of the studies, for example Hadju (2006) revealed informal economic participation to be a significant part of the portfolio of livelihood strategies employed by people in the Eastern Cape, the studies were not, on the whole, driven by the hypothesis, which views the informal economy as the centre around which livelihoods revolve. It is in view of the above that the researcher feels the proposed study is indeed worthy of being done in an effort to plug some of the gaps that the theoretical and empirical literature review has revealed as outlined above.

From a *methodological perspective*, this is an example of a study in which the mixed methods approach will be successfully adopted in order to reconcile the divergent epistemological, ontological and methodological assumptions in an effort to borrow and benefit from the individual strengths of the two approaches (the quantitative and qualitative approach). This will enable the researcher to harness the complementarities between the two approaches to arrive at a more conclusive understanding of the livelihoods of informal traders than could possibly be achieved through the use of only the quantitative or only the qualitative approach. This way the study will make a lasting methodological contribution and establish a point of future reference regarding an instance in which the mixed methods approach is used to generate a wealth of data where abstract subjects of inquiry such as issues of livelihoods are concerned.

From an *application perspective* the contribution of this study will be such that its applied approach will represent a departure from a tradition that seeks to derive theoretical understanding of livelihoods, to an evidence and experience based approach where understanding of livelihoods is derived from actual practical fieldwork. The approach adopted in this study will lead to acquisition of knowledge that is directly derived from informal traders' actual lived experiences. Overall, the study will afford the reader the opportunity to juxtapose the empirical findings that will be generated herein, against the theoretical foundations on which the study is based in order to arrive at a holistic understanding of livelihoods of informal traders that may be applicable beyond the setting in which the study will be conducted. The study will, thus, be of immense application value to hands-on development practitioners. It is also hoped that valuable lessons will be drawn from this study that will help in targeting, planning and designing poverty alleviation interventions in predominantly rural areas like the Eastern Cape Province, particularly those interventions that seek to build on what people are already doing for themselves, in the fight against poverty.

From a *policy perspective* it is envisaged that the recommendations of this study will form the basis for policy and action. This study will proffer recommendations that go beyond addressing issues in the informal sector, to include all sectors from which informal traders may derive their livelihoods. These sectors include agriculture and rural development, the welfare state and the formal job market since, particularly in relation to the latter, evidence from the literature suggests that rural informal livelihoods are interlinked with urban employment that is the source of

remittances that boost informal entrepreneurship. The above argument is advanced in light of the view that basing the study on the SLF (theoretical framework) and the concept of livelihood diversification presupposes the existence of a tentative link between informal trading and other livelihood strategies. The study, thus recognizes the cross-sectoral character of livelihoods, and this will help in arguing for an integrated policy response. It is envisaged that the findings and recommendations from this study, if implemented, from a policy point of view, will help in empowering people in South Africa to build sustainable livelihoods thereby contributing towards the realisation of the NDP's goal to eliminate poverty.

## **1.6 RESEARCH METHODOLOGY**

Research methodology refers to the systematic way of solving a research problem (Kothari, 2004). Research methodology provides a blueprint or systematic way one follows to arrive at answers to a research question. Research methodology covers the whole spectrum of steps followed and measures applied in a piece of research and justification of such steps and measures (Kothari, 2004). Elements of research such as design, sampling, data collection, data analysis and presentation are all part of research methodology. Apart from guiding one's own study, the methodology also provides a framework within which other researchers can evaluate and replicate one's Study (Kothari, 2004).

### **1.6.1 Research Design**

Bryman (2012: 46) defines the research design or research approach as a framework “for the collection and analysis of data.” There are three research approaches, namely, the qualitative, quantitative and mixed methods. What sets qualitative and quantitative research apart is the form of data collection, analysis and presentation, with the former emphasising words rather than quantification in the collection and analysis of data (Bryman, 2012). Mixed methods research follows the argument that research methods are “free-floating” and “autonomous” and can thus be combined in a single research (Bryman, 2012: 619). Mixed methods research is also known as ‘blended research,’ ‘integrative research,’ ‘multimethod research,’ ‘multiple methods,’ ‘triangulated research,’ and ‘mixed research,’ (Johnson, Onwuegbuzie & Turner, 2007). The mixed methods approach has the advantage of allowing the researcher to benefit from the strengths of both approaches, as it frees the researcher from the limitations of methodological

bias associated with either the qualitative or the quantitative approach (Subedi, 2016). Mixed methods research design presents a synthesised research philosophy that is practical, applied (Subedi, 2016) and pragmatic (Johnson et al., 2007) as it transcends the either-or views of constructivism and positivism, arguing that the researcher may embrace both objectivism and subjectivism during the course of trying to solve a research problem (Subedi, 2016). The rationale for mixed methods research is that in some instances the use of one approach (qualitative or quantitative) may be limiting as it will not allow the researcher to achieve multiple perspectives and a comprehensive understanding of a research phenomenon (Creswell, Klassen, Plano Clark & Smith, 2011). Mixed methods research, therefore “attempts to consider multiple viewpoints, perspectives, positions and standpoints,” (Johnson et al., 2007: 113) and in this way the quantitative and qualitative elements are made to complement one another (Sale, Lohfield & Brazil, 2002).

The literature (Creswell, 2014; Creswell & Plano Clark, 2011; Subedi, 2016) mentions six types of mixed methods research designs, namely the explanatory sequential design, the exploratory sequential design, the transformative design (can be either sequential or concurrent), the convergent parallel design (concurrent triangulation design), the embedded design (concurrent nested design) and the multiphase design. The first two are two-phase designs in which either the quantitative component precedes the qualitative component (explanatory sequential design) or vice-versa (exploratory sequential) (Creswell, 2014). The embedded design and the convergent parallel design are both single-phase designs in which data for the qualitative and quantitative components is collected simultaneously (Creswell, 2014). The major distinguishing feature of the transformative design is that it is driven by the transformative theoretical framework or lens of the researcher (Hanson, Creswell, Plano Clark, Petska & Creswell, 2005), which guides the study, informs overall purpose of the study, setting of research questions and objectives, informs methodological choices such as data collection and analysis and ultimately determines the outcome of the study (Subedi, 2016). Moreover, the transformative design can be used with any one of the first four designs mentioned above (explanatory sequential, exploratory sequential, convergent parallel and the embedded design) (Subedi, 2016). A transformative design is usually geared towards social justice or social change (Hanson et al., 2005).

This research follows the explanatory sequential mixed methods design. The design encompasses both quantitative and qualitative components in a sequence that proceeds from quantitative to qualitative. The literature (Creswell, 2014; Hanson et al., 2005; Subedi, 2016) emphasises that in an explanatory sequential design the purpose of the subsequent qualitative data is to build on and explain in detail the initial quantitative data. In this study, the quantitative findings will provide the general picture of the sustainable livelihoods of informal traders in Mount Frere and the qualitative findings will extend, explain and elaborate the general picture (Subedi, 2016). Being mindful of the fact that mixed methods research can be either ‘qualitative dominant,’ ‘quantitative dominant,’ or ‘equal status,’ (Johnson et al., 2007) this study leans more towards the qualitative side as emphasis is more on the need to achieve an in-depth contextual understanding of the phenomenon under study than to establish objective, clear-cut cause-effect linkages between the variables and to generate findings that are generalisable. The sequence and weight of the components of the study can thus be represented as shown in the procedural notation below:

**quan + QUAL** (Hanson et al., 2005).

What informs the decision to use the mixed methods approach in this study is the realisation that issues of poverty, livelihood strategies and sustainability thereof can only be fully understood through combining both quantitative indicators like income, which the quantitative approach is well-suited for, and the points of view of participants, which can be elicited through in-depth interviewing of respondents in their natural setting, which the qualitative approach allows. Emphasis in this research is on generating rich deep data that lends itself both to words and numbers. There is a wide array of research designs that include the cross-sectional or survey design and the case study design. This study follows the case study design.

A case study is “an intensive analysis of an individual unit (as a person or community),” (Flyvberg, 2011: 301). According to Bryman (2012), the most common use of the term “case” associates a case study with a location such as a town or organisation. As Yin (2011) contends, the case study design is suitable in the following circumstances: when the study focuses on answering "how" and "why" questions; when the researcher cannot manipulate the respondents or

subjects of the study; when the contextual conditions are relevant to the phenomenon under study and therefore necessary for these to be covered; and when it is difficult to separate the phenomenon under study from context. In the context of this study, Mount Frere is the case. However, it should be pointed out that although the case (Mount Frere) is not the unit of analysis in its own right, the location (Mount Frere) provides the backdrop to the findings that will be generated. Rather, the sample, that is mobile informal traders and CBD informal traders, constitutes the 'unit of analysis.' The case study design is used in this study as it results in a clear explanation of a given phenomenon (Bryman, 2012) as opposed to purely statistical quantitative designs. The case study is chosen as it places the researcher close to real life situations thereby enabling him to unearth a wealth of details (Flyvberg, 2011). As the case study involves an intensive analysis of a situation in its natural environment it results in detail that is rich, varied and complete than, for instance, the cross-sectional survey. The fact that the case study design places emphasis on contextual conditions makes it suitable in this study aimed at understanding livelihood strategies, which are generally context-specific.

### **1.6.2 Population of the study**

A population can be defined as the universe of units from which a sample is to be selected (Bryman, 2012). The population in this study refers to all informal traders that operate within the central business district of Mount Frere and those who are mobile and travel to outlying villages and residential areas to sell their products and services. The listing of all units in the population from which the sample is selected is called a sampling frame (Bryman, 2012: 187). Selecting a sample is necessary as it would be impossible to study all the informal traders due to lack of time and money.

### **1.6.3 Sampling Technique and Design**

A sample, which is a subset of a population, may, in turn, be defined as the segment of the population that is selected for research (Bryman, 2012). The process of selecting the respondents is called sampling. There are two types of sampling, namely, probability sampling and non-probability sampling (Bryman, 2012).

A probability sample is “a sample that has been selected using random selection so that each unit



in the population has a known chance of being selected,” (Bryman, 2012: 187). As Bryman (2012) notes, probability sampling involves assigning numbers to units of the sampling frame from which the sample is drawn. A randomly selected sample allows for findings generated from the study to be generalised to the population from which the sample is drawn. A probability sample is often preferred as it is said to produce more valid and reliable findings. However, in some cases it may not be practical to generate a probability sample due to the high cost and the difficulty it entails (Bryman). Moreover, this approach is not applicable in a case where, as in this study, there is no means of knowing precisely the constituents of the sampling frame. For example, it will be difficult to know how many mobile informal traders there are in Mount Frere since they do not operate from a fixed central place. Nonetheless, for purposes of the study, the researcher will attempt to create a sampling frame, at least for CBD informal traders, by physically counting the number of informal business entities to gain a general picture of the size of the population of CBD traders.

A non-probability sample is “a sample that has not been selected using a random selection method,” (Bryman, 2012: 187). Results from such a sample cannot be generalised to the population from which the sample is drawn since the sample will not be representative of the population from which it is drawn.

A sample of 125 informal traders will be studied. The sample in this study will be split into two independent samples, one consisting of 25 mobile informal traders who sell their products and services in the villages, residential and settlement areas around Mount Frere, and the other consisting of 100 informal traders who operate within the central business area of Mount Frere. Although the composition of the population is not known the researcher settled on this ratio that represents fewer mobile informal traders than CBD informal traders since it will be more difficult to locate a large number of the former due to the nature of their trading activities. As such, a sample of 25 for that category is deemed sufficiently large to generate data that provides a general picture of the phenomenon of mobile informal trading.

In the case study design, sampling is usually done on a non-probabilistic basis (Mouton, 2001), and in this study snowball sampling (Bryman, 2012), which is a non-probabilistic sampling

strategy will be used to select 25 mobile informal traders. Snowball sampling is the only feasible sampling technique in selecting mobile informal traders. Snowball sampling is defined by Bryman (2012: 202) as one in which “the researcher makes initial contact with a small group of people who are relevant to the research topic and then uses them to establish contacts with others.” The **mobile informal traders** of goods and services that operate in the outlying areas are foreign nationals, mainly from Zimbabwe and Ethiopia. The area under study is a compact, closely-knit community, whereby everyone, especially foreign nationals, knows what the other does for a living. What is important when using this sampling technique is to identify an individual or individuals who engage in this livelihood strategy and use that as a springboard for access to other individuals to include in the sample. The researcher will get initial access to one or two mobile traders who will lead him to those who are also involved in similar activities. The use of informants in a case study is underlined by several writers including Fontana and Frey (1994) and Shenton (2004). The one or two respondents whom the researcher will get initial access to, will act as informants and lead him to other potential respondents. The use of such informants is advantageous as it will save the researcher a great deal of time.

A total of 100 informal traders that operate within the central business area will be selected using purposeful judgement sampling (Blandford, 2013), which is a form of non-probability sampling. Maximum variation technique (Hancock, Ockleford & Windridge, 2009) will be infused into the sampling procedure in order to balance the resulting sample of CBD informal traders, in terms of representation of the various informal trading business types as per the sampling frame that will be created. Non-probability sampling is used to select respondents from both mobile and CBD informal traders since it is impossible to generate a probability sample in a study of this nature as informal traders are a “shifting population,” with people “be becoming and ceasing to be,” (Bryman, 2012: 203) informal traders. Although the practice of creating a sampling frame from which to draw a sample is more associated with the quantitative research tradition, the researcher in this mixed methods study, while making due concession to the fact that drawing a random sample is not an objective of the qualitative component of the study, will attempt to create a sampling frame in order to have a rough idea of how large the population of CBD traders is. Knowing the approximate size of the population, especially the number of informal trading businesses in each business category, will help in making the maximum variation technique more

effective, thereby adding to the trustworthiness of results.

The sampling decisions made in this study may be criticised on the basis that findings cannot be generalised to the larger population. However, this study does not seek to generalise to the larger population, but rather to generate deep data that fully explains the situation under study. Nevertheless, Flyvberg (2011) insists it still is possible to generalise from a case study, either as an alternative to, or in conjunction with other methods.

#### **1.6.4 Data Collection Methods**

According to Flyvberg (2011), data collection in a case study can be done through interview or questionnaire. Data collected in the course of research can either be primary or secondary data (Mouton, 2001). Primary data is first-hand data that is collected at source by the researcher themselves or by people assigned by them (Mouton, 2001). Secondary data refers to data that has already been used and presented in written information sources, which discuss, comment, debate and interpret primary sources of information (Mouton, 2001). Both primary and secondary data will be collected in the course of this study. Primary data collection methods that will be used in this study are the questionnaire and semi-structured interview. In this explanatory sequential mixed methods case study, both quantitative and qualitative data collection and analysis methods will be used so that quantitative data and qualitative data may complement each other (Sale et al., 2002).

Fieldwork in this study will be done by the researcher using the questionnaire and semi structured interview to collect both quantitative and qualitative data in the sequence shown in the procedural notation above. Both the questionnaire and semi structured interview will be used for data collection on a selected sample of CBD informal traders and mobile informal traders, where initially all respondents in the sample (125), consisting of both CBD and mobile informal traders, will complete the questionnaire and, subsequently, twenty illuminating cases will be selected from the 125 to provide additional qualitative data by way of the semi-structured interview.

#### *1.6.4a The Questionnaire*

Initially, the questionnaire will be used to collect quantitative data from all 125 respondents (consisting of 100 CBD informal traders and 25 mobile ‘village’ traders). The role of the questionnaire in this study is to profile the respondents as well as to collect information for compiling frequencies on all of the variables covered in the objectives of the study. Questionnaire data will, therefore, provide a general picture that covers all of the issues of concern in this study. Some of the subjects in this research study are of low literacy levels and, thus, need assistance in completing questionnaires and such assistance will be rendered by the researcher as and when necessary.

The need to have a data collection strategy in which the semi-structured interview and self-completion questionnaire complement each other can be brought to light by mentioning some of the advantages which the latter have on the former. Bryman (2012) states that questionnaires are cheaper to administer both in terms of time and money, especially where the sample is geographically widely dispersed.

The other advantage of using questionnaires as data collection tools is the convenience that they have (Bryman, 2012). The researcher does not have to exert pressure on the respondent to complete the questionnaire. The respondents can do so at their own time. Coupled with this is also the fact that questionnaires eliminate bias in answering sensitive questions. The presence of the researcher may at times influence the answers that respondents give. It should, however, be noted that the latter advantage pales where the presence of the researcher cannot be avoided, for instance when there is a need for the researcher to assist respondents who might be having difficulties completing the questionnaire on their own. However, in such an instance the influence of the researcher should be kept in check by maintaining minimum intrusion.

As Bryman (2012) points out, questionnaires can be administered quickly. The time it takes to get responses from a large cross-section of respondents is greatly minimised. Large quantities of questionnaires can be distributed to a sample of informal traders at the same time. The advantage posed by questionnaires in this regard is quite appealing to the researcher since there will be time constraints on the research.

#### ***1.6.4b Semi-Structured Interviewing***

The semi-structured interview used in this study will make use of open questions that allow respondents to explain their responses. The interview will generate qualitative data. As Bryman (2012: 469) rightly states, “structured” and “unstructured” simply represent extremes, but “in practice a wide range of interviews with differing degrees of structure lie between the extremes.” Bryman (2012) identifies two main types of interview used to collect qualitative data as the unstructured and semi-structured interviews. Semi-structured interviews will be carried out on a ‘follow-up’ basis with selected mobile informal traders and CBD informal traders, subsequent to them having completed questionnaires. The mobile traders are either Shona speaking Zimbabweans, or Ethiopians, who understand English and the researcher will have the advantage of being a first language speaker of the former language which will make it easier to elicit in-depth qualitative data from the respective respondents. The majority of the **CBD informal traders** are Xhosa-speaking. The researcher has a good understanding, including speaking, of IsiXhosa and that puts him in good stead to probe and to prompt the respective respondents. Also having lived in the area for four years, the researcher has acquired basic cultural knowledge, which will help him to relate with the respondents at that level, thereby easing the flow of the semi-interviewing process.

Semi-structured interviews are quite important in a study of this nature as, according to Bryman (2012), they allow the researcher to prompt for example clarify questions that the respondent might be having difficulty understanding. Bryman (2012) argues that the interview also allows the researcher to probe the respondents so that they can elaborate on their answers. This will shed more light on the subject being investigated. As such the semi-structured interview comes in handy as it, and the questionnaire would complement each other. Semi-structuring of questions also makes processing of interviewees' responses easier and minimises occurrence of errors (Bryman, 2012).

From the 125 cases in the study the researcher will select twenty cases consisting of both CBD and mobile traders, for which, in addition to quantitative data captured in questionnaires, qualitative data will also be collected during the semi-structured interviews in order to get more insight into the responses that will be supplied by respondents. The role of the interview in this

study is, therefore, to collect in-depth information on all the variables covered in the objectives of the study.

#### ***1.6.4c Secondary data***

Secondary data will be collected through an extensive literature review. The literature review that covers published books, journal articles, reports, other Internet sources and masters and doctoral degree theses, is aimed at extracting information about theories and concepts that underpin the informal economy and sustainable livelihoods. The literature review gathers information on prior studies on the informal economy and on the livelihood strategy both in South Africa and the world. The review of secondary information sources also sheds light on the methodology used by previous researchers who did similar studies as well as how they arrived at the conclusions they did.

### **1.7 DATA ANALYSIS**

Both quantitative and qualitative data analysis methods will be used in this explanatory sequential mixed methods study as both quantifiable data in the form of numbers and qualitative data in the form of words will be generated, and the two types of data are amenable to different techniques of data analysis. The three main steps in data analysis identified by Vithal and Jansen (2010) are: scanning the data to see if it is complete; organising the data and representing the data for example in the form of tables and diagrams. Quantitative data will be subject to statistical analysis. Microsoft Excel programme will be used to manage quantitative data to make it easy to analyse. After data have been checked for completeness responses to all the questions in the questionnaires will be coded and the codes entered into spreadsheet cells. Two types of statistics are used in data analysis. These are descriptive and inferential statistics. Descriptive statistics may be used to describe data and explain the relationship between the data. All interpretations will be done by using descriptive statistical tools like percentages, frequency distribution tables, histograms and charts, which are quite ideal for univariate analysis that is analysis of one variable at a time (Bryman, 2012). The above-mentioned descriptive statistics will be used to show the distribution as well as display of findings. Qualitative data from semi-structured interviews will be analysed through content analysis. The SLF will be used in the analysis of qualitative data. The various components and concepts of the SLF will be taken to

represent broad themes into which relevant data from the semi-structured interviews will be categorised. This mixed methods study will not make use of inferential statistics since it is not its objective to extrapolate or generalise the findings. Quantitative and qualitative data in this mixed methods research will be integrated and connected during interpretation and discussion, by way of qualitative data extending and elaborating quantitative data (Hanson et al., 2005).

## **1.8 RELIABILITY AND VALIDITY**

It should be pointed out at the outset that due to the inherent weakness of the mixed methods research design, reliability and validity of findings suffer. This mixed methods study may not be evaluated on the constructs such as 'external validity' since the objective of this research is an in-depth understanding of the particular case in question and “it is not the purpose of this research design to generalise to other cases or to populations beyond the case,” (Bryman, 2012: 71). Even with regard to the quantitative dimension of the mixed methods study, generalisations may not be made since the sample on which the data is extracted will not be representative owing to the fact stated before, that informal traders represent a shifting population. Considering the above, the researcher is of the view that parallel criteria that seek to gauge the trustworthiness of research are of equal importance and applicable to this study. The following measures of trustworthiness, which are of relevance in this study, are suggested:

1. credibility, which parallels internal validity,;
2. transferability, which parallels external validity;
3. dependability, which parallels reliability; and
4. confirmability, which parallels objectivity (Bryman, 2012).

## **1.9 ETHICAL CLEARANCE**

The researcher sought ethical clearance from the faculty before commencing fieldwork. Ethical clearance in the form of a letter providing details that include the research topic, the purpose of the study, full name as well as contact details of the researcher and study leader was obtained. This letter will be availed to all the respondents who will take part in the study. Ethical issues that will be taken into account in this research include the subjects' right to full disclosure about the research, handling of data as well as respect for participants' right to privacy and

confidentiality (Mouton, 2001). The participants will be given as much information about the research as possible so that they make informed decisions whether to partake in the research or not (Bryman, 2012). When they have given their consent the researcher will strive to respect their privacy by allowing them to refuse to answer any questions that they are not comfortable with. Related to this will be the respect of confidentiality, which will be ensured by the removal of any identifiers (Mouton, 2001) from participants' responses. Utmost care will be taken to preserve integrity of data by ensuring accuracy in data capturing, data entering and analysis.

The researcher believes the suggested approach to dealing with ethical issues outlined above is appropriate since it would ensure that participants are not deceived or tricked into taking part in the research against their own will. It would also ensure that data is only used for the purposes that it is collected for. This approach to dealing with ethical issues would protect participants against any form of harm (Bryman, 2012) to their privacy or confidentiality. Strict adherence to accuracy would guard against any chances of the researcher misrepresenting information supplied by respondents. Overall, this would ensure that the data collected truly lead to a comprehensive understanding of the sustainable livelihood strategies of informal traders at Mount Frere, Eastern Cape.

## **1.10 ORGANISATION OF THE DISSERTATION**

This study is divided into six chapters.

- **Chapter 1** is the introductory chapter, which gives an overview of the whole research project. The informal economy is introduced from both developing and developed countries perspectives and its basic definition provided. Its importance, as well as challenges, is introduced. A background to the study in the form of a glimpse of the informal economy in South Africa is provided with statistics. Background information on the study area, Mount Frere, together with the aim and objectives of the study are provided. This chapter also gives an overview of the methodological aspects of the study.
- **Chapter 2** gives a detailed examination of the literature, focusing on the emergence of the informal economy from a global perspective, definition and reasons for existence. A select of factors that are said to drive the growth of the informal economy are discussed. The chapter concludes by providing a more focused attention on the nature and



challenges of the informal economy in South Africa.

- **Chapter 3** examines literature on the concepts and previous empirical studies on sustainable livelihood strategies. The chapter also unpacks the theoretical approach that underpins the study and provides a definition of the individual concepts that make up the approach and how they are linked to this particular study. The chapter then descends on sustainable rural livelihoods in South Africa, at the same time bringing the concept of livelihood diversification into context. The chapter concludes by dissecting some views in the literature on sustainability of informal trading.
- **Chapter 4** is the methodology chapter.
- **Chapter 5** reports the findings that will be generated from the fieldwork. The findings will be linked to the objectives set out in chapter 1 as well as to the existing literature and to the theoretical framework.
- **Chapter 6** constitutes the platform for the researcher to give broad conclusions based on the findings from the study as well as providing recommendations on how informal economic activities, particularly informal trading of goods and services can be made sustainable. The recommendations are linked to the literature and also take into account informal economic participants' own coping strategies unearthed and brought to the fore through the empirical study.

### **1.11 CHAPTER SUMMARY**

The informal economy is present in both developed and developing countries. In developing countries its growth has been linked to rising unemployment and poverty. As a result of scarcity of formal employment, people in developing countries, including South Africa, come up with other livelihood strategies such as informal economic participation that includes informal trading of goods and services. Historical and structural factors have severely weakened education and training in the Eastern Cape Province resulting in weak human capital in the form of skills. The informal economy has thus become a cushion for people with diminished formal employment prospects. Informal traders of goods and services in Mount Frere either operate within the small town or in outlying areas, including surrounding villages. These traders face numerous challenges, which threaten the sustainability of informal economic activities as a livelihood strategy. An understanding of the livelihood strategies of informal traders from a sustainable

livelihoods perspective includes, in part, an assessment of human, financial, physical and social capital accumulation. A research of this nature is envisaged to complement existing knowledge on the informal economy, livelihoods and sustainability. This introductory chapter has attempted to provide a general understanding of the methodological aspects underpinning this study. These include the research design, data collection, sampling, research ethics and data analysis. The next chapter builds on the introduction given in this chapter and looks at the informal economy and the emergence of the South African informal economy in more detail.

## **CHAPTER 2**

### **THE INFORMAL ECONOMY AND THE EMERGENCE OF THE SOUTH AFRICAN INFORMAL ECONOMY**

#### **2.1 INTRODUCTION**

This chapter opens with an exposition of the various ways in which the informal economy has been defined. Having attempted to grasp a basic understanding of the definition and nature of the informal economy in general terms, the chapter will proceed to look at the extent and trends of the informal economy, at a global scale, by region, with reference to some variables that provide a fertile ground for the growth of the informal economy, for example unemployment and poverty. Subsequent to that, the discussion will turn to look at the schools of thought on the informal economy, following which, the chapter will explore the reasons behind the emergence and growth of the informal economy. The chapter will then zero in on the nature of the informal economy in South Africa and, in turn, in the Eastern Cape Province and the municipal jurisdiction within which this study is based. The types of informal traders within the informal economy in South Africa are explored. While discussing the various aspects surrounding the informal economy, the chapter attempts to place the study within the broader context of related empirical studies on the global state of the informal economy before it descends on the South African informal economy. The chapter closes by drawing attention to the empirical literature on constraints that threaten the short-term viability and long-term sustainability of informal trading.

#### **2.2 THE INFORMAL ECONOMY**

The informal economy, discovered in the beginning of the seventies, was initially thought to be marginal and peripheral and not linked to the formal sector (Becker, 2004). It was thought to be a transitory phenomenon, which came into being as a result of national economies' failure to achieve adequate growth. It was, therefore, expected that the informal economy would disappear with increasing growth and modern industrial development (Becker, 2004). Becker (2004) points out two divergent views of the relationship between the formal and informal sectors. On the one end are those who believe that the two are not linked at all, arguing that the latter is only marginal and peripheral. On the other end are those that argue that the informal sector is actually

an extension of the formal sector. It is in the vein of the latter view that the term 'informal economy' is often preferred over 'informal sector' as the former recognises that informality cuts across many sectors of the economy rather than a specific sector, which the narrow term 'informal sector' presupposes and implies. Moreover, 'informal economy' also emphasises the existence of a continuum from the informal to the formal ends of the economy and, thus, the interdependence of the two sides. According to Vanek, Chen, Carre, Heintz and Hussmans (2014) a distinction can be made between the terms 'informal sector', 'informal employment' and 'informal economy'. From that point of view, the informal sector refers to unincorporated enterprises that may also be unregistered and/or small; informal employment refers to employment without social protection, either inside or outside the informal sector; and informal economy refers to all units, activities and workers so defined and the output from them (Vanek et.al., 2014). In this study, however, the terms 'informal sector' and 'informal economy' will be used interchangeably throughout.

### **2.3 DEFINING THE INFORMAL ECONOMY**

The informal economy has been defined in various ways, depending on the school of thought one is working from or the major aspects of the informal economy with which one is concerned. A look at the various definitions reveals a set of characteristics of the informal economy around which the various definitions seem to converge. These include, but are not limited to the following: small scale of operations; relatively low capital requirements; low income generation; low entry requirements in terms of educational qualifications; skills often acquired outside of formal education; and labour intensive methods of production (Becker, 2004; see also Mubaiwa, 2014). Becker, (2004) offers a helpful framework that demystifies, and makes it easy to make sense of, the complexity generated by the numerous definitions. While acknowledging at the outset that the categorisation is by no means exhaustive, she advances four perspectives through which the informal economy can be defined and understood, namely: definition by activities (economic units/enterprises); definition by employment categories; definition based on the location of informal economy actors; and definition by income and employment enhancing potential. The discussion below relays the categories identified by Becker (2004), on the basis of which the informal economy may be defined.

### **2.3.1 Definition by income and employment enhancing potential**

From this perspective, the informal economy is comprised of basically two types of enterprises. That is those with a growing market demand, and thus high income-earning potential (the opportunity entrepreneur) and those with a low demand, and, thus a low-income earning potential (the marginal/survivalist) (Becker, 2004). This perspective, according to Becker (2004), covers on one hand relatively ambitious enterprises that seek to exploit the unregulated and untaxed nature of informal economic activities to maximise and monopolise access to profits at the lowest possible cost. On the other hand, the perspective also covers individuals or households who have no other option, due to various reasons, and also those who are working elsewhere in the formal economy and wish to supplement and enhance their income by engaging in informal activities. Notwithstanding the category which the particular informal economy participants fall into, the bottom-line is that they all will be driven by a motive to enhance their employment and income status. It is from this understanding that the ‘income and employment enhancing potential’ is advanced as a possible basis for defining the informal sector.

### **2.3.2 Definition by employment categories**

According to this perspective the following categories can be used to describe the informal economy: **self-employed**, that is own account workers, heads of family businesses and unpaid family workers; **wage workers**, referring to those employed in informal enterprises (labour regulations in relation to these employees are often absent and where a minimum of the regulations are applied, compliance is often non-existent); and **employers**, that is owners and owner operators of informal enterprises (Becker, 2004). Chen (2007) points out that average earnings and poverty risk vary between employment categories in the informal economy. The higher the average earnings of an informal employment category, the lower the poverty risk of that particular employment category (Chen, 2007). Employers, who are predominantly men, have the highest earnings and, thus, lowest poverty risk, followed by regular informal wage workers, own account operators, casual informal wage workers, and industrial outworkers or homeworkers (who are predominantly women) respectively (Jutting, Parlevliet & Xenogiani, 2007). Unpaid family workers have the lowest average earnings, and, thus, highest poverty risk (Chen, 2007). Chen, Vanek and Carr (2004) reinforce the above view on the relationship between gender segmentation and average earnings among different forms of informal

employment, arguing that own account workers, with higher average earnings, are predominantly men while homeworkers, with lower average earnings, are predominantly women. Using evidence from South Asia, Jutting et al. (2007) also demonstrate that men are more represented in own account work than women who have more representation in contributing family work.

### **2.3.3 Definition based on location of informal economy actors and by activities**

Where informal economic participants are located or operate from has been used as a basis of defining and describing them (Becker, 2004). The categories within this perspective include home-based workers who may informally employ someone to help them when there is need. Alternatively, they may be working as a sole operator. They form part of what are commonly referred to as the 'self-employed' or 'own account workers,' (Becker, 2004). Based on this definition it appears that whether they decide to employ someone or opt to work entirely alone depends to a large extent on the nature of the activities, as well as the scale or magnitude of operations involved. The other categories are: street traders and street vendors; itinerant, seasonal or temporary job workers; and those in between the streets and home (Becker, 2004), for example mobile informal traders of products and services who constitute part of the population sample of this study.

The definition of the informal economy by activities (economic units/enterprises) is according to Becker (2004: 12) "the most traditional of the various definitions of the informal economy." Characterisation of enterprises as informal is built on the premise that they are not bound by regulations, for example, concerning registration, tax payments, conditions of employment and operating licences (Becker, 2004). As mentioned above, the business unit/enterprise may consist of a self-employed individual, with or without additional employees. The activities involved are ordinarily not subjected to accounting scrutiny and, by default, absolve themselves from incurring liabilities.

## **2.4 SNAPSHOT OF GLOBAL INFORMAL ECONOMY**

The global informal economy is made up of various activities that include street trade, different kinds of small-scale manufacturing and repairing activities and the sale of various products and services. Skinner and Haysom (2017) and Vanek et al. (2014) reveal that informal trade makes

up 33% of informal activity in Latin America. The informal economy is dominated by street vending (Skinner & Haysom, 2017). Informal employment as a percentage of non-agricultural employment exceeds 50% in half of the countries with comparable data (International Labour Office (ILO), 2016), and is exceedingly high in South Asia, East and South-East Asia, Latin America, the Middle East and Africa (Vanek et al., 2014). In one-third of countries across the globe it affects over 65% of workers (ILO, 2016). Informal trade makes up 43% of non-agricultural employment in Sub-Saharan Africa (Skinner & Haysom, 2017). Street trading accounts for the larger proportion of informal economic activities (Skinner & Haysom, 2017). For example, street vending accounts for 13% and 24% of non-agricultural informal employment in Dakar and Lome respectively (Skinner & Haysom, 2017). Street trading accounts for 35% and 28% of women in informal employment in Lome and Bamako respectively (Skinner & Haysom, 2017). The informal economy has proven to be an effective survival and poverty alleviation strategy (Chani, 2008; Chilwalo, 2015; Ndlovu, 2011) and informal employment remains pervasive especially in many developing and emerging economies (ILO, 2016).

The problem of informality is rooted in the inability of national economies to create adequate formal jobs. In light of rapidly growing populations in developing countries informality is likely to persist. Below in tabular form is a display of a select of three indicators that provide a fertile ground for the growth and persistence of the informal economy, representing twelve global regions covered by ILO. The three indicators are unemployment, vulnerable employment and working poverty, relating to a period of two years, 2014 and 2015. The twelve regions represented are: Northern America; Latin America and the Caribbean; Arab States – Gulf Cooperation Council (GCC); Arab States (Non-GCC); Eastern Asia; South-Eastern Asia and the Pacific (SEAP); Southern Asia; Northern, Southern and Western Europe; Eastern Europe and Central and Western Asia; Northern Africa; and Sub-Saharan Africa;.

**Table 2.1: Indicators of the informal economy for 12 regions across the world (2014-2015)**

		Unemployment (percentage)		Vulnerable Employment		Working Poverty less than US\$1.90		Working Poverty US\$1.90-US\$3.10	
		2014	2015	2014	2015	2014	2015	2014	2015
Northern America	United States	6.3	5.3	–	–	–	–	–	–
	Canada	6.9	6.9	–	–	–	–	–	–
Latin America and the Caribbean		6.4	6.5	31	31.2	–	–	8.3	8.2
Arab States Gulf Cooperation Council (GCC)		4.7	4.7	2.7	2.7	–	–	6.9	6.9
Arab States (Non-GCC)		15.1	15.2	33.1	34.2	–	–	31.8	38
Eastern Asia (EA)		4.5	4.5	42.6	42.1	5.2	4.9	7	6.3
South-Eastern Asia and the Pacific (SEAP)		4.3	4.4	54.4	54.1	8.9	8.4	18.4	17.3
Southern Asia (SA)		4.2	4.1	74.1	73.6	19.3	18.1	28.4	27.4
Northern, Southern and Western Europe		10.7	10.1	–	–	–	–	–	–
Eastern Europe (EE)		6.8	6.9	11.3	11.2	–	–	3.3	3.2
Central and Western Asia (CWA)		9.1	9.2	33	32.6	–	–	7.9	7.4
Northern Africa		12.5	12.1	34.2	34	5.2	5.2	19	18.8
Sub-Saharan Africa		7.3	7.4	69.8	69.9	35.2	34.3	29.6	29.7

Source: Adapted from ILO (2016) World Employment Social Outlook: Trends.

In a study of informal economies in 110 countries, it was found that the average size of the informal economy as a percentage of gross national product (GNP) for the years 1999 and 2000



was 38% for transition countries (Latin American countries and European Transformation countries) and 18% for Organisation of Economic Cooperation and Development (OECD) West European countries (Schneider, 2002). Evidence from the study of 110 countries across the globe for the period 1999-2000 reveals that Georgia had the largest informal economy in the world at an average of 67.3% while Switzerland had the smallest informal economy with an average of 8.8% for the period 1999-2000 (Schneider 2002).

A data set for 162 countries all over the world for the period 1999 to 2007, uncovered a similar pattern. That is, the lowest level of informality for any country in the world was recorded for Switzerland at 8.7% of gross domestic product (GDP) and the highest was recorded for Georgia, at 67.5% of GDP (Schneider, Buehn & Montenegro, 2010). Evidence from the same data set, covering the same period reveals that transition countries have the largest informal economies (with an average of 37%) followed by the developing countries (with an average of 26.9%) and lastly OECD countries with an average of 13.7% (Schneider et.al., 2010). According to 2007 statistics, Azerbaijan, Bolivia, Peru and Panama were found to have higher levels of informality, while Austria, Japan, Luxembourg, Switzerland, the United States of America and the United Kingdom had lower levels of informality (Schneider et.al., 2010). This is consistent with the view that wealthier economies have smaller informal sectors (Schneider et.al., 2010).

Using a data set of 158 countries covering the period 1991 to 2015, evidence reveals that on the one hand Georgia and Bolivia have the highest shadow economies with 64.9% and 62.3% respectively (Medina & Schneider, 2017). On the other hand, Austria, the United States of America and Switzerland, with 9.9%, 9.4% and 9% respectively, have the smallest shadow economies (Medina & Schneider, 2017). Other countries with averages of over 50% during the period 1991 to 2015 are Azerbaijan (52.2%), Haiti (53.3%), Myanmar (51.4%), Peru (52.4%) and Thailand (50.6%) (Medina & Schneider, 2017). The other countries with the smallest shadow economies are Australia, Luxembourg, Japan, China and Hong Kong with averages of 9.9%, 10.7%, 10.8%, 11.2% and 14.7% respectively over the period 1991-2015 (Medina and Schneider, 2017). Evidence from Latin American countries also shows a trend of the shadow economy declining from 42.29% (1991-1999), and 39.33% (2000-2009) to 34.8% in the period (2010-2015) (Medina & Schneider, 2017). Evidence from OECD countries as well as East Asian

countries reflects a similar pattern (Medina & Schneider, 2017). The evidence of the high incidence of informality particularly in Latin America, South Asia and East and South-East Asia is corroborated by Vanek et al. (2014).

In Africa, the average size of the informal economy as a percentage of gross national product for the years 1999 and 2000 was 42% (Schneider, 2002). Zimbabwe, Tanzania and Nigeria had by far the largest informal economy of all African countries, with 59.4%, 58.3% and 59.9% respectively (Schneider, 2002). According to a data set of 158 countries covering the period 1991 to 2015, African countries with averages of over 50% during the period 1991 to 2015 are Zimbabwe (60.6%), Benin (53.7%), Gabon (52.4%), Nigeria (56.3%) and Tanzania (52.2%) (Medina & Schneider, 2017). The 2007 statistics provided by Schneider et.al. (2010), also show a similar pattern whereby Tanzania and Zimbabwe are found to have high levels of informality. Among Sub-Saharan African countries for the period 2010-2015, Mauritius has the smallest shadow economy with an average of 19.81% while Zimbabwe, at 65.1% had by far the largest shadow economy (Medina & Schneider, 2017). The evidence from African countries, when compared with the more developed Western countries is again consistent with the view that poorer economies have larger informal sectors (Schneider et.al., 2010). In summary, from the overall picture of the global informal economy, evidence shows a declining shadow economy between 1991 and 2015. Sub-Saharan Africa, with the largest shadow economy, when compared with other regions across the globe, declined from an average of 42.36% (1991-1999) and 39.98% (2000-2009) to 36.13 (2010-2015). However, the issue of whether the size of the global informal economy is increasing or decreasing is a contested topic. The table below shows average sizes of the shadow economy for Latin America and the Caribbean region, OECD, East Asia and Sub-Saharan Africa for three extended periods, namely, 1991-1999, 2000-2009 and 2010-2015.

**Table 2.2: Average sizes of the shadow economy (%)**

	1991 – 1999	2000 – 2009	2010 - 2015
Latin America and the Caribbean	42.3	39.3	34.8
Organisation for Economic Cooperation and Development	21.4	18.8	18.2
East Asia	25.5	23.9	21.1
Sub-Saharan Africa	42.4	40	36.1

Source: (Medina and Schneider, 2017)

There is a multiplicity of perspectives through which scholars have looked at, and sought to make sense of the informal economy. Perhaps the one that stands out is the categorisation of the informal economy into categories or schools of thought (See Becker, 2004; Narayan, 2011). The discussion below proceeds to look at the various schools of thought on the informal sector.

## **2.5 SCHOOLS OF THOUGHT ON THE INFORMAL ECONOMY**

There are three main schools of thought on the informal economy namely: the dualist school; the structuralist school; and the legalist/illegalist school (Becker, 2004; Narayan, 2011). These schools of thought are adopted in this study as they form the basis for categorisation that offers a simplified structure, and yet an all-encompassing perspective of looking at the informal economy as discussed below.

### **2.5.1 The dualist school**

Scholars who subscribe to the dualist school of thought contend that the informal economy is a separate marginal economy not directly linked to the formal economy, providing income or a safety net for the poor (Becker, 2004). The operations of the informal economy from this perspective are viewed as consisting of marginal activities (Narayan, 2011). Marginal activities are those less profitable informal activities that are associated with survivalism or necessity-driven entrepreneurship (Global Entrepreneurship Monitor (GEM), 2018) undertaken by people who are driven into them

by the lack of other options. The dualist school view of the informal economy is modelled along the perception of the informal economy as a parallel sector to the formal economy. What is viewed as the impetus or driving force behind the emergence of the informal sector is the inability of the formal economy to absorb surplus labour. A variety of reasons have been put forward to explain the inability, among which reasons an increasingly faster rate of population growth and low economic growth are just a couple.

### **2.5.2 The structuralist school**

The second school of thought is the structuralist school, which was popularised by Caroline Moser (Narayan, 2011) in the 1970s and 1980s. According to this view, the informal sector is a subsidiary of the formal sector brought about to reduce input and labour costs, with the ultimate objective of increasing the competitiveness of large capitalist firms. Castells and Porter (1989) (Becker, 2004) posit that in order to reduce costs, privileged capitalists seek to subordinate petty producers and traders. It is in line with this thinking that Nattrass (1984) laments the relationship between the formal economy and the informal economy as being a sort of one-sided affair whereby the former exploits the latter rather than it being one of symmetrical reciprocity. The structuralist school attributes proliferation of the informal economy to capitalist development rather than economic growth (Narayan, 2011). However, it is not all doom and gloom for the sustainability of the informal economy as Becker (2004) concedes that the informal sector in some cases goes beyond “marginal activities” and often includes “profitable enterprises.” (see also Nattrass, 1984)

### **2.5.3 The legalist school**

The legalist school, the concept of which the renowned Peruvian economist Hernando de Soto is credited with, views the emergence of the informal economy as a rational response by micro-entrepreneurs to over-regulation by government bureaucracies (Becker, 2004). The deliberate and conscious move on the part of informal economy participants is said to be necessitated by the need to circumvent the costs, time and effort associated with formal registration of a business. The illegalist view which states the notion that informal entrepreneurs deliberately seek to avoid regulations and taxation, and in some cases, prohibitions on dealing in illegal

goods and services (Narayan, 2011) could be taken to represent a variation of the legalist school. However, this should not be confused with the criminal economy (Becker, 2004), which encompasses brazenly criminal activities such as trading in drugs, human trafficking and hard-core prostitution.

## **2.6 REASONS BEHIND THE EMERGENCE AND GROWTH OF THE INFORMAL ECONOMY**

A multiplicity of factors has been put forward as the driving force behind people's decisions to engage in the informal economy. Some of the factors include the inability of the formal sector to meet the job needs of the people, the state's inability to satisfy the needs of the poor through welfare and the meagre salaries and wages that are paid to those that are fortunate enough to secure formal employment (Cohen, 2010; Horn, 2011; Sikder, 2005; Willemse, 2011). Informal economic participation, thus, becomes a cushion for the poor to earn or supplement a living.

Reasons behind the emergence and continued growth of the informal economy include a mix of factors that may be broadly classified into the following categories: **economic** factors such as down turn or recession in both the global and local economy, increasing globalisation, high tax burden, lack of economic dynamism and growth, and ease of participation in the informal economy; **socio-demographic** factors, such as increasing poverty, rising unemployment, corruption, limited access to education and training, population growth, increasing urbanisation and increasing migration; **governance** factors that include regulatory regimes that do not take into account the reality of citizens' lives; and **business factors** that include the rise of independent workers (Association of Certified Chartered Accountants (ACCA), 2017). **Science and technological** advances including increasing connectivity are arguably a driving force behind the growth in shadow economic activities (ACCA, 2017). The above factors are dynamic, and they interplay at various levels, from individual, through household, to national level, at times producing intricate cause-effect relationships, which when combined provide useful lenses through which the growth of the informal economy can be viewed and understood. The issue of unemployment is inextricably intertwined with the growth of informal economic activities to such an extent that the ACCA (2017) perceives rising unemployment as having “a direct impact on increasing poverty,” resulting in it having the most marked influence on the growth of

informal economic activities.

Below is a select of six factors that have been identified in the literature for this study as constituting the core of the drivers of the growth of the global informal economy. These factors are: poverty and exclusion; globalisation; migration; urbanisation; gender inequalities; and weak education and training. These factors are, however, not mutually exclusive as they impact on each other in a way that the discussion below proceeds to unveil.

### **2.6.1 Poverty and exclusion and the growth of the informal economy**

Poverty affects all nations, developed, developing and those in transition. However, in developed nations it usually takes the form of 'relative' poverty as opposed to 'absolute' or 'extreme' poverty, which is more characteristic of developing economies and economies in transition. Although some are in the informal economy by choice, it is often due to poverty that the world has seen trends marked by the persistence, and in some cases rise, of informality (Jutting et al., 2007). The 'two-tier sector' view of the informal economy in which the lower tier is linked to those who are in the informal sector due to lack of alternatives (Fields, 2005) is consistent with the argument, backed by evidence from selected Latin American countries, that, most informal wage employees are found in the informal sector because of the poverty that results from their exclusion from formal activities (Jutting et al., 2007). Developing economies and emerging economies account for approximately 30% and 70% of the world's extreme poor respectively (ILO, 2016) and it comes as no surprise that the largest informal sectors are found in those economies as reflected in the global informal economy statistics provided earlier in this chapter. Poverty is not only associated with unemployment as there has been growing recognition of widespread poverty among the employed, most of whom are in vulnerable and informal employment characterised by low pay, hence the concept of 'working poverty' which is used by ILO. As a result,

The lack of productive job opportunities, coupled with an absence of adequate social protection, thrusts large segments of the population in emerging and developing countries into low-paid employment, often as their own employer, thereby raising the risk of poverty (ILO, 2016: 18).

In 2015 an estimated 327 million employed people globally were living in extreme poverty and 967 million in moderate and near poverty (ILO, 2016). The ILO goes further to state that despite the continued improvement in reducing the shares of working poverty, efforts to reduce the absolute numbers of the working poor (and these include those working in the informal sector) have stalled. For example, the absolute number has been falling by an average of 4.9% for the extreme poor (being those below the poverty datum line of US\$1.90), whereas it increased by 0.7% for the moderately poor (being those falling in between the two poverty datum lines of US\$1.90 and US\$3.10 over the period 2000 to 2015 (ILO, 2016).

With regard to sub-Saharan Africa, growth has weakened recently, falling to 3.6% in 2015 from 4.9% in 2014, and an average of 5% per annum since the 1990s (ILO, 2016). Only 9 out of the region's 34 least developed countries (LDCs) reached GDP growth of 7% or more in 2014 (ILO, 2016). Some factors have been suggested as causes behind the perceived slow pace of growth in some parts of the region. These include political instability, armed conflicts, terrorism and social unrest, issues that lie at the heart of, and exacerbate, migration and rises in poverty rates. Lack of economic diversification and over-reliance on exports, especially to China (the region's major trading partner) has left the region in a vulnerable position as a result of China's policy shift in reducing imports towards a focus on services sectors (ILO, 2016). Low levels of growth results in constrained development, impacts negatively on formal job creation and creates a fertile ground for growth of informal economic activities as those who are trapped in poverty are more likely to participate in the informal economy (Williams, 2014).

As a result of the situation explained above the vast majority of workers find themselves in informal and vulnerable employment. ILO (2016) reiterates that the informal economy in the Sub-Saharan African region contributes 50-80% of GDP, 60-80% of employment and 90% of new jobs. Nine out of 10 workers in both rural and urban areas are estimated to hold only informal jobs (ILO, 2009). Variations of rates of informality across the region can be drawn, for example: in Namibia it is estimated to be at 43.9%; 72.6% in the United Republic of Tanzania; 82.9% in Madagascar and 93.5% in Uganda (ILO, 2016). Vulnerable employment rate in sub-Saharan Africa is at almost 70% of total employment, more than 20 percentage points above the

global average of 46.3%. (ILO, 2016). The highest shares of female contributing family workers out of total female employment are found in Senegal at 75.9%, Burkina Faso at 69.1% and Ghana at 49.5%. This contrasts sharply with the low levels for men at 53.6%, 23.5% respectively (ILO, 2016). This confirms the concept of feminisation of poverty and asserts the over-representation of women in vulnerable and informal employment. The increase in poverty, which has been viewed as being one of the reasons behind informality, has, in turn, been argued to have been exacerbated by the process of globalisation.

### **2.6.2 Globalisation and the growth of the informal economy**

Researchers (Bacchetta & Ernst, 2009; Carr & Chen, 2001; Rath, 2016; Verick, 2011) agree that the process of globalisation has had a profound impact on the proliferation of the informal economy. Globalisation includes a mix of factors, from capital flows and diffusion of technology, to international migration of workers and foreign direct investment (Bacchetta & Ernst, 2009). Critics of globalisation argue that the phenomenon is “increasing world poverty and lowering standards of living throughout the developing world” (Davids & Maphunye, 2009: 92). Davids and Maphunye (2009) contends that economic globalisation or 'global capitalism' brings with it global economic competition that is increasing inequalities between rich and poor countries and between the rich and poor within countries, thereby producing “zero-sum outcomes,” (Held, McGrew, Goldblatt & Perraton, 2000: 4). Related to this position is the view that 'globalisation' brings about uneven or unequal development whereby 'Third World' countries are left behind the whole process of growth and relegated to a state of perpetual underdevelopment and poverty as they cannot, on the whole, benefit from the positives of a 'global economy,' (Held et al., 2000)). This results in entrenched poverty and inequality in the underdeveloped countries and among the disadvantaged populations within countries. Those trapped in poverty may, as a result, be pushed into the informal economy to earn a living (Verick, 2011).

Verick (2011) adds another dimension to the globalisation and informality debate by contending that the structural adjustment policies (SAPs), which were adopted in the 1980s and 1990s as part and parcel of the globalisation process resulted in high levels of unemployment with consequent rise in informal sector activities. As a result of global competition and the



accompanying retrenchment of workers as companies attempt to cut labour costs (Verick, 2011), informal employment has persisted and increased (Bacchetta & Ernst, 2009), particularly in urban settings of developing countries (Rath, 2016). What compounds the situation described above is that due to the global competition governments are exposed to, they are left in a weakened position whereby they will not be able to sustain traditional welfare options for social protection (Held et al., 2000). Those who get trapped in poverty will have very limited life choices and the most likely survival strategy they will adopt under the given circumstances is engaging in informal economic activities.

Definitions of globalisation underline the increasing interconnectedness between societies that comes with it. As a result of the interconnectedness, “crises in one region,” (McGrew, 2005: 20), will also be felt in other parts of the world (ILO, 2016). As Bacchetta and Ernst (2009) argue, due to the fluidity and integration between countries as a result of globalisation, economic shocks can be easily transmitted between regions and countries thereby directly influencing an increase in the rate at which people are, as a result, pushed into informality. For example, political and economic instability in one country exerts pressure beyond the country as more and more political and economic refugees flock to other countries that are relatively stable and most of the immigrants are absorbed into the informal economy (ILO, 2016).

As McGrew (2005) elucidates, globalisation, to varying degrees, is evident in all the principal sectors of social activity (and one might add economic activity that includes informal economic participation). Globalisation is, thus, seen as being responsible for the rapid social, political and economic changes that include mobility and migratory patterns that are historically unprecedented (Held et al., 2000), which results in unprecedented population growth in immigrant recipient countries where there are pull factors. Population growth in turn results in increased unemployment, thereby favouring the growth of the informal economy.

### **2.6.3 Migration and the growth of the informal economy**

A review of literature reveals the issue of migration as one of the important drivers of informalisation. As Becker (2004) notes, the issue of migration includes a distinction between ‘internal migrants’ and immigrants. The former refers to individuals who leave their place of

origin and move to another place within the same country, for example from rural regions to urban centres. The latter refers to migrants who live their country of origin and move into another country. A variety of push factors lead people to migrate from their places of origin to seek livelihoods elsewhere. These factors include economic hardships and poverty (Becker, 2004), lack of decent work opportunities, lack of adequate social protection (ILO, 2016), political instability, geopolitical tensions, on-going conflict and lack of infrastructure (ILO, 2016; Verick, 2011).

The growth of the informal economy is enhanced by political instability, economic meltdowns, civil unrest and conflict that force people to migrate. Particularly high levels of migration from rural regions to urban centres as a result of political and civil unrest, lack of infrastructure and displacement have been witnessed in Angola and Mozambique (Verick, 2011). Migrants, especially illegal ones (Verick, 2011) often find employment only in the informal economy in the short term (ILO, 2016).

International migration is increasingly made easier by the global interconnectedness (Held et al., 2000; McGrew, 2005) that produces a net effect of reduction of transport and communication costs. Due to lack of productive employment opportunities, sub-Saharan Africa has the highest emigration rate globally. United Nations statistics peg the rate at 1.5% against a global average of around 1% (ILO, 2016). Lack of decent work opportunities, high incidence of working poverty and lack of adequate social protection have been cited as causes of emigration. Countries with high emigration rates include The Gambia, Cote d'Ivoire, Somalia and Zimbabwe (ILO, 2016).

The growth of the informal sector in South Africa can arguably be said to be intertwined with the political and economic crises happening elsewhere on the African continent, as particularly negative political or economic events across Africa have had a profound effect on the immigration trend and growth of the informal sector in the country. Being the region's most advanced economy, South Africa attracts migrants from neighbouring countries who engage in informal economic activity that includes cross-border trade (Verick, 2011). Increased migration exacerbates the unemployment situation as not all of the immigrants find formal employment.

As a result many end up as informal workers (Verick, 2011).

Verick (2011) maintains that the process of migration causes growth of the informal economy not only within the immigrant recipient countries, but also in the immigrants' countries of origin since the remittances that they sent back to their countries of origin are often used to start-up businesses in the informal sector.

Having noted the impact of migration, made up of internal migration and immigration, on the growth of the informal economy, it may be stated that internal migration, particularly rural-to-urban migration is the driving force behind urbanisation, which is one of the major drivers of the growth of the informal economy.

#### **2.6.4 Urbanisation and the growth of the informal economy**

Urbanisation can be defined as an increase in a population in cities and towns versus rural areas. As rural population growth has outpaced the generation of employment and economic opportunities, rural-to-urban migration has steadily increased, particularly in developing countries (UNHCS, 1996) and in most cases outpacing the absorption capacity of cities in terms of employment. According to Walmsley and Botten (1994), as a result of urban growth many cities throughout the world have had to adjust to, and accommodate, rapid urban migration which has become a problem. At the turn of the century, nearly half the world's population lived in cities. As Walmsley and Botten (1994) succinctly put it, rapid urbanisation perpetuates symptoms of poverty and unemployment amongst other problems. Hope and Lekorwe (1999) also believe that the majority of labour market entrants in the cities and towns in Southern Africa find work in the informal sector. As such, the informal sector has become a vibrant sector in the urban areas in Southern Africa.

Narayan (2011) acknowledges that rural-to-urban migration represents the driving force behind urbanisation. Within the context of urbanisation, Narayan (2011) refers to the classification of principal migration strategies into four categories. The first one is circular migration whereby people leave their village to seek temporary work in urban areas, returning home on a regular basis. The second category is referred to as long-term migration whereby individuals are

separated from their families for extended periods to seek livelihoods in urban areas. The third category consists of family migration to urban areas followed by return migration to the community of origin. The last migration strategy involves permanent urban settlement. It has already been noted that a bulk of those who migrate to urban centres eventually become active informal economic participants.

### **2.6.5 Gender inequalities and the growth of the informal economy**

The issue of feminisation of poverty and the overrepresentation of women in the informal economy is a sore subject that has received a great deal of attention from scholars and been adequately dealt with by researchers, for example (Becker, 2004; Chirau, 2012; Hadju, 2006; ILO, 2016; Narayan, 2011; Ngundu, 2010), to mention only a few. The growth of the informal sector has been explained, as being, in part, a result of more women entering labour markets outside of agriculture (Becker, 2004). The participation of women in the informal economy is forced by the fact that they are in most cases denied rights to own property or land (Becker, 2004). Without control of the 'means of production', particularly in the form of land, they are left in a position where they are further disempowered. This unfortunate situation often forces them into the informal economy as a survival strategy to sustain themselves and their families. Narayan (2011) associates women's increased participation in the informal economy with their disadvantaged position in the labour market and conservative societal norms, which have subjected them to socially and economically subservient roles. Women's situation is compounded by what Ngundu (2010) views as their weakened access to training systems, which weakens their human capital, thereby leaving them with limited life choices.

Another view (Jutting et al., 2007) links increased women's participation in the informal economy to the limited opportunities that women have in some countries. This view seems to be advanced within the perspective that associates participation in the informal sector with 'necessity'. This should, however, be contrasted and counterbalanced with the proposition that increased women's participation in the informal economy may in some instances be a result of 'choice,' whereby the 'flexibility and autonomy' that informality offers act as pull factors that draw women to the informal economy as it allows them to combine work and family responsibilities much more easily (Jutting et al., 2007).

As Becker (2004) postulates, women's share of informal economy employment world-wide is between 60% and 80%. The urban informal sector in Southern Africa is dominated by women (Hope & Lekorwe, 1999). Hope and Lekorwe (1999) pegged women's participation in informal production activities in the informal trade sector in Zambia at 80% and in Tanzania 95% of employed women were found to be working in the informal sector. In Katutura, in Namibia, the majority of the hawkers (60%) were women, while in South Africa women accounted for more than half of the small enterprise workforce. Although the statistics have probably changed, considering that the above writers wrote close to two decades ago, they at least give a picture of the distribution of informal economic participation disaggregated by gender that has perhaps persisted to date. Besides, more recent studies have uncovered a more or less similar distribution (See also Chirau, 2012; Narayan, 2011). Becker (2004) maintains that out of the many women who own or run micro-enterprises, only a few women entrepreneurs actually grow their businesses vertically to make the transition into the formal economy. This perhaps explains the continued and ever-growing dominance of women in the informal economy.

On another note one is prompted to say the issue of gender representation in the informal economy is a contested topic with different writers offering different opinions. On the one hand some argue that in the African context women constitute a greater proportion of those engaging in informal economic activities (Chirau, 2012; Narayan, 2011; Ngundu, 2010). On the other hand, others found that males dominate the sector in terms of representation (Chilwalo, 2015; Stats SA, 2017). Tshuma and Jari (2013) link gender representation to the nature of informal activity. They found that while there were more females than males in street vending, clothing and jewellery selling, informal activities such as vehicle repair and welding were dominated by males.

Notwithstanding the debate on actual gender representation in the informal economy, gender inequalities that disadvantage women constitute some of the driving forces behind the growth of the informal economy.

### **2.6.6 Weak education and training and the growth of the informal economy**

According to Becker (2004: 9), “the weak capability of formal institutions to provide education, training and infrastructure as well as other incentives for structural reforms has contributed to the growth of the informal economy.” Resultant illiteracy, due to weak education and training institutions, especially in developing countries, more so among women than men, limits chances of being absorbed into the formal sector. The inadequacies of formal education and training institutions have resulted in a poorly equipped workforce in terms of human capital in the form of skills. This has seen an increase in the number of new entrants into the informal economy where entry requirements in terms of skills are minimal. This point is reinforced by the ACCA (2017) which contends that many people in both the developed and developing world are left with diminished prospects of formal employment owing to the fact that tertiary education is costly in the former and grossly inadequate in the latter. As a result, the disadvantaged are pushed to partake in the informal economy. Evidence from a study conducted by Ndiweni, Mashonganyika, Ncube and Dube (2014) in Bulawayo, in Zimbabwe reaffirms the correlation between low educational achievement and involvement in the informal economy (87% had secondary education and below). Consistent with the view that informal economic participants have low educational levels, about half of respondents in Ngundu’s (2010) study had secondary education or below. There are, however, contrary views to the position that associates inferior educational attainment (which may be a result of weak institutions) with participation in the informal economy. For instance, contrary to the view that associates informal sector participants with low education levels, Peberdy (2000) found that immigrant informal traders of handicrafts and curios had high levels of formal education, in some cases university degrees. Saunyama’s (2013) study also dispels the view that the informal sector should be associated with low educational attainment.

The link between weak education and training institutions and low level of human capital in the form of skills is particularly traceable in the South African context, which is characterised by historical imbalances in terms of access by racial category, whereby predominantly black provinces were neglected when it comes to education and training infrastructure. The situation is still apparent in the most remote parts of the Eastern Cape Province which is dogged by poor educational infrastructure and shortage of teaching staff, which hampers effective teaching and

learning in schools. As a result of the above, some drop out of school without acquiring the necessary skills required in the formal sector and end up partaking in the informal economy.

## **2.7 THE INFORMAL ECONOMY IN SOUTH AFRICA**

Although the rate of South Africa's informal economy (shadow economy) as a percentage of GDP was pegged at 23.29% in 2016, it is projected to rise to 24.19% by 2025 due to persistent and increasing unemployment, bureaucratic constraints, inefficient provision of law and order, weak enforcement of regulatory compliance as well as a deliberate government policy of tacit acceptance and accommodation of the shadow economy (ACCA, 2017).

However, South Africa's informal economy remains much relatively small when compared to other developing countries (Mahajan, 2014). Reasons for the perceived small size of the informal economy in South Africa include the following: lack of skills; constraints on access to credit; regulatory constraints that hamper growth and development of small businesses; lack of a 'culture of entrepreneurship' (Phillip, 2011); being crowded out by bigger formal businesses; and the legacy of prohibition and exclusion of blacks from certain categories of entrepreneurial activities under apartheid (Mahajan, 2014; Phillip, 2011).

**The types of informal traders in South Africa:** Woodward, Rolfe, Lighthelm, and Guimaraes (2011) distinguish between survivalist and entrepreneurial informal traders, alternatively called necessity-driven entrepreneurs and opportunity-driven entrepreneurs (GEM, 2018). The former engage in street trading out of necessity due to poverty and unemployment, and, unlike growth-oriented firms, often have short lifespans, or usually unable (or unwilling) to graduate into larger, more sustainable businesses (Hartnack & Liedeman, 2016). The latter embark on a business venture to exploit an available opportunity. Van Eeden (2011) associates informal traders with the latter view instead of seeing them merely as survivalist. The informal sector is generally associated with marginality and struggle for survival (Peberdy, 2000). There is widespread perception of informal trading as being only a transitory survival strategy among the poorest (Woodward et.al., 2011). In her explanation of the relationship between the formal and the informal sectors, Natrass (1984) incorporates a survivalist element by contending that the informal sector is merely a waiting area before an opportunity is available in the formal

sector. Arguing in a similar vein, Von Broembsen (Smit & Donaldson, 2011) believes the survivalist element of informal traders is exacerbated by them operating in retailing, which is confined to local markets with minimal earnings. The availability of avenues to engage in informal trading as an alternative livelihood option fits squarely into the capability concept of understanding development, which maintains that the capabilities are "reactive" as well as "proactive" (Chambers & Conway, 1991: 4). When this concept is applied to informal trading of goods and services as a livelihood strategy one can say that the idea to engage in the informal economy is equally a response to an opportunity that presents itself ("proactive") as much as it is a coping, and often the only, strategy for the distressed ("reactive").

Following the above, this section cumulate by pointing out that South African entrepreneurial activities (and that includes informal trading of products and services) have largely been associated with the 'survivalist' or 'necessity entrepreneurship' view. For example, Neneh and Vanzyl (2014), in their study of growth intention and its impact on business growth among small and medium enterprises (SMEs) in South Africa, found that a mere 21% were opportunity based entrepreneurs as opposed to necessity entrepreneurs who constituted 79%. Similarly, having studied the spaza sector, comparing spaza shops (small grocery shops mainly found in townships) run by foreign nationals and those run by South African citizens in Delft, a residential area in Cape Town, Charman, Petersen and Piper (2012) concluded that the survivalist practice generally characterises the South African informal economy. The above views are, however, countered by the GEM report (GEM, 2018), which found that 74% of informal entrepreneurs, globally, are opportunity driven as opposed to a mere 26% who are necessity-driven. That having been said, the existence of both survivalist and entrepreneurial informal traders, side by side, complicates the debate on “whether the informal sector should be seen as a marginalised, ‘survival’ sector” that absorbs excess labour “or as a vibrant entrepreneurial part of the economy which can stimulate economic growth and job creation,” (Sparks & Barnett, 2010: 1) with the potential to build sustainable livelihoods.

## **2.8 CHALLENGES FACED BY INFORMAL TRADERS OF GOODS AND SERVICES**

Constraints or challenges refer to elements or factors that restrict informal traders from achieving



their potential (or higher level of output) (Willemse, 2011), thereby hindering them from realising a sustainable livelihood. Willemse (2011) identifies four categories of common constraints that informal traders face. These categories have been adopted to provide a framework in terms of which challenges faced by informal traders are discussed in this study.

The first category is made up of **economic** challenges, for example lack of capital to start trading (Willemse, 2011). This may be due to the fact that the prospective trader has never been employed and does not have savings. These challenges are compounded by limited access to credit facilities (Chilwalo, 2015; Shabalala, 2014). Madichie and Nkamnebe (2010) identified three constraints to access to finance by women in Nigeria, which include sociocultural practices whereby men have absolute control over household finances. Economic challenges, that include lack of financial resources required to start and run a business, form an example of what Tshuma and Jari (2013) refer to as internal barriers, that is, those challenges that occur within the business itself without outside influence. Lack of finance to maintain stocks was found by Willemse (2011) to characterise informal traders' operations in a study of informal traders in the central business districts (CBDs) of four South African cities. Chilwalo (2015) also reveals lack of capital as a key challenge facing informal traders,

The second one is **sociocultural** challenges which can forbid women from engaging in certain ventures (Willemse, 2011). Crime and violence, which Hartnack and Liedeman (2016) identify as a critical factor that can lead to business failure is one of the major challenges that face informal traders, especially in South Africa. Previous research (Shabalala, 2014) reveals rampant crime in South Africa as one of the major factors that impinge on the growth and success of informal businesses.

Adverse **political conditions and policies** constitute another group of challenges that face informal traders (Willemse, 2011). These are external barriers which lie outside informal traders' control (Tshuma & Jari, 2013). An example of challenges that fall within this category pertains to trade restrictions (Tshuma & Jari, 2013), regulatory barriers and law enforcement (Hartnack & Liedeman, 2016) that lies behind the lack of appreciation of especially street traders by urban management authorities. This results in the regulatory environment in African cities being

hostile towards informal economic activities (Muller, 2015). The lack of appreciation and hostility have been attributed to, and said to emanate from the perception of “tax losses” (Walmsley & Botten, 1994: 15), considering that informal economic activities lie outside the state's tax net. The negative perception takes many forms including harassment (Shabalala, 2014) and in extreme cases being accused of defacing the city (Onyebueke & Geyer, 2011). This results in confiscation of goods and arrests by the police. Bureaucratic procedures and prohibitive legal requirements (Tshuma & Jari, 2013) that make it difficult for those who wish to formalise their businesses fall within this category of challenges. In the Nigerian context, Madichie and Nkamnebe (2010) note the challenge posed to informal trading by repressive informal sector policies.

Another group of constraints is made up of what Willemse (2011) refer to as **operational challenges** (Willemse, 2011). These are challenges that traders are faced with on the day to day running of the business and include lack of access to market information (Madichie & Nkamnebe, 2010), inadequate business knowledge, shortage of goods (Chilwalo, 2015), lack of transport and storage (Tshofuti, 2016) and in some cases high transport and communication costs that affect marketing and distribution (Tshuma & Jari, 2013). Examples of operational challenges that Willemse (2011) found in his study of informal traders in central business districts (CBDs) of four South African cities include unavailability of transport, insufficient services from suppliers, insufficient services from local authorities and insufficient shelter and infrastructure. The lack of access to infrastructure is one of the major challenges for informal traders (Ngundu, 2010) and poses a significant constraint to business growth (Shabalala, 2014). Competition between informal traders (Chilwalo, 2015; Shabalala, 2014; Willemse, 2011) is another critical operational challenge. The fierce competition among traders is often a serious impediment to cooperation (Cohen, 2010). Inability to cope with competition is one of the factors that lead to business failure (Hartnack & Liedeman, 2016). Competition often breeds hostility among informal traders. Competition is not only between the informal traders themselves, but also between the small-scale traders and the giant retail companies (Phillip, 2011). Phillip (2011) notes that the giants of South Africa's retail and services sector represented by Spar, Boxer and Shoprite in Mount Frere compete with the small entrepreneurs, forcing them out of business. The major challenge that puts informal traders at a disadvantage when

compared to bigger formal businesses is that due to the small nature of the former's business operations, they often cannot enjoy economies of scale by purchasing inputs in bulk (Tshuma & Jari, 2013).

Looking at **other constraints**, it is noted that apart from the challenges discussed above, non-South African informal traders, who constitute part of the sample in this study, face other challenges that include government policies that prioritise protection of local people's interests; absence of proper documentation that is permits or Identity documents; lack of rights to trading sites; and threats of deportation (Willemse, 2011). The lack of proper documentation hinders foreigners from accessing financial and banking services thereby seriously weakening their savings and investment potential (Shabalala, 2014). Tawodzera and Chikanda (2015) note xenophobia is one of the constraints that migrant informal traders face in South Africa. According to Skinner (2015) some politicians incite xenophobic attacks through reckless statements that build anger and resentment amongst citizens. It has also been argued that some state officials, including police may be complicit in those attacks (Skinner, 2015 in Muller, 2015). It is against this backdrop that xenophobic attacks on foreign nationals have erupted in certain parts of South Africa, especially in the hotspots of Gauteng and Kwazulu Natal in recent years, notably in 2007, 2012 and recently in 2016 and beginning of 2017. Although the incidents of violence were sporadic and isolated rather than widespread and protracted, some informal traders across the country were affected by the attacks in one way or the other.

Although for purposes of this study, the challenges that face informal traders have been broadly classified into the categories discussed above, the challenges are not mutually exclusive as a degree of interplay is evident (Tshuma & Jari, 2013). For example, sociocultural practices that give decision making powers over household finances to men, may leave women traders with economic or financial challenges that put them in a weakened position to withstand business competition or to overcome the operational challenges such as high transportation costs. These are some of the challenges that need to be addressed at the policy level since to ignore them, as Gumbo and Geyer (2011) say, would lead to worsening of unemployment and poverty and sustaining informal economic activities in whatever form may remain an elusive objective.

## 2.9 CHAPTER SUMMARY

The informal economy is pervasive in both developed and developing parts of the world. There are various ways of defining the informal economy. These include defining it on the basis of employment categories (for example, the self-employed, wage workers and employers). The size of the informal sector varies from region to region and from country to country but is exceedingly high in developing countries and emerging economies or those in transition. Conversely, the informal economy is generally small in developed and highly industrialised countries. Schools of thought on the informal economy include the dualist, the structuralist and the legalist school. A multiplicity of reasons lie behind the emergence and continued growth of the informal economy. The most prominent among these are poverty, globalisation, migration, urbanisation, weak education and training and gender inequalities that put women at a disadvantage when compared to their male counterparts. South Africa's informal economy is fairly high by world standards, but small for a developing country. This has been attributed to several reasons that include the unique country's history and repressive apartheid laws that inhibited entrepreneurial aspirations among blacks. The literature differentiates between two types of informal traders, that is survivalist and opportunity entrepreneurs with researchers and writers tending to associate the informal sector more with survivalism than opportunity entrepreneurship. Although entry into the informal sector is fairly easy, challenges abound. The challenges depend on type of informal economic activity, but the most common ones come in the form of competition, lack of finance and a prohibitive regulatory environment. These challenges pose a serious threat to the sustainability of informal trading of goods and services as a livelihood strategy. Most empirical studies seem to reinforce the idea that in the developing world people are forced into the informal sector as a result of unemployment and poverty, at least where low-return informal economic activities are concerned. The next chapter proceeds to look at sustainable rural livelihoods in South Africa. This will put the study more into context as the study site is in a rural part of South Africa.

## CHAPTER 3

### SUSTAINABLE RURAL LIVELIHOOD STRATEGIES

#### 3.1 INTRODUCTION

This chapter explores the concept of sustainable livelihoods with reference to livelihoods, in general, and rural livelihoods in South Africa, in particular. The chapter's point of departure is that sustainable livelihoods are a component of sustainable development and should, therefore, be considered within the overall sustainable development framework. The chapter opens by defining sustainable development, the three dimensions of sustainability, namely: economic sustainability, environmental sustainability and social sustainability. It is necessary to define the three dimensions separately in order to put into perspective an understanding of sustainable livelihoods, which include sustainable informal trading. This is in line with the understanding that sustainable informal trading, as a constituent part of sustainable livelihoods, should satisfy all three dimensions of sustainability, that is, in addition to being socially and economically sustainable, it should also be environmentally sustainable. The definition of sustainable development will be followed by definitions of livelihoods, sustainable livelihoods and the overarching concept of livelihood diversification, which underpins livelihood security, impacts on and drives sustainable rural livelihoods. The discussion then proceeds to unpack the theoretical framework that underpins livelihoods analysis, the sustainable livelihoods approach, at the same time framing the vulnerability context of informal traders in Mount Frere to try and determine the possible push factors that propel them into the informal economy. The chapter will descend on the various livelihood systems or domains that constitute sustainable rural livelihoods in South Africa. Subsequent to that, the chapter will explore the link between sustainable development, livelihoods and the informal economy, considering that the link has a bearing on sustainable livelihoods in general and on informal trading in particular. The chapter will then conclude by attempting to link the concepts of the theoretical approach on which the study draws, the sustainable livelihoods framework, with the schools of thought on the informal economy addressed in the previous chapter. Throughout the chapter, some of the empirical studies on livelihoods and livelihood diversification and how these link with the informal economy and sustainability are highlighted.

## **3.2 DEFINITION OF KEY TERMS**

### **3.2.1 Defining Sustainable Development**

All definitions of sustainable development stem from the Brundlandt Commission report ‘Our Common Future’ which defines sustainable development as, “development that meets the needs of the present generation without compromising the ability of future generations to meet their own needs,” (United Nations Environment Programme (UNEP), 2007: 7). The goal of sustainable development is, therefore, to improve the quality of human life within the constraints of the environment (UNEP, 2011). The emergence of the concept of sustainable development in the 1980s, thus, integrated the environment with development, recognizing that the environment, social and economic issues are interlinked (UNEP, 2007). Eradicating poverty lies at the core of the concerns of sustainable development (UNEP, 2011) and poverty eradication is realized through creating and strengthening sustainable livelihoods of individuals. The concepts of sustainable development, sustainable livelihoods and poverty reduction are, therefore, intertwined. In view of that relationship, poverty reduction, which includes building sustainable livelihoods, and economic growth should be seen as two sides of the same coin, or complementary objectives (Wade, 2006). Effective poverty reduction cannot be achieved if there is no growth in the overall economy, but economic growth (economic sustainability) is simply one parameter of development (Wade, 2006), the others being concern with environmental protection (environmental sustainability) as well as equitable sharing of the benefits derived from growth (social sustainability) (Qobo, 2013). The concept of sustainability encompasses the environmental, economic and social dimensions, which makes sustainable development an effort in which the need to protect the environment should be balanced against the need to tackle challenges of growth and development (Qobo, 2013).

#### ***3.2.1a Defining Economic Sustainability***

Economic sustainability can be taken to mean achieving and maintaining a base-line level of economic welfare (Rakodi & Lloyd Jones, 2002). The economic dimension of sustainability is largely determined by increased income, which in turn may be used to satisfy consumption and basic needs. A major determinant of economic sustainability is economic growth. Global and national economic growth determines the form that rural livelihoods assume (Neves, 2017).

Sustained growth is the key to effective poverty reduction and sustainable livelihoods (Bourguignon, 2006). However, in an argument that places the local economy, which includes the informal economy, as the centre around which sustainability should revolve, Ruzek (2014: 29) lambasts the economic growth driven by global capitalism, which he postulates comes at an expense of “increased worldwide consumption of goods and services,” which in turn accelerates environmental deterioration and resource depletion. It is in line with these sentiments that the need arose to rethink the concept of development and link it to the need to protect the environment (UNEP, 2007).

### ***3.2.1b Defining Environmental Sustainability***

Environmental sustainability can be taken to mean preserving and restoring natural capital (biodiversity, ecosystems and ecosystem services) (World Wildlife Fund, 2012). It means halting environmental degradation or destruction of natural resources and reducing pollution of the planet (UNEP, 2007; United Nations (UN), 2008). Concern with environmental sustainability stems from the realisation that the environment sustains the country’s economy and the livelihoods of individuals (UNEP, 2006). The equitable and efficient use of natural capital raises the potential for achievement of sustainable livelihoods and poverty reduction (UNEP, 2006; UNEP, 2007). Environmental sustainability becomes more imperative when one considers that poor people in their quest to construct livelihoods may prioritise short-term survival without due regard to the sustainable use of natural resources, thereby leading to degradation of natural capital (Rakodi & Lloyd Jones, 2002). Some informal economic activities such as carpentry and harvesting medicinal plants for sale in the informal market may be detrimental to the environment if not properly managed (UNEP, 2006). In a rural context, environmental sustainability is of paramount importance in view of the fact that any further damage to the environment would have far-reaching consequences for the rural population, which depends directly on the natural environment for its livelihoods and well-being (UNEP, 2006). Environmental sustainability should also be given due regard considering that the sustainable livelihoods approach is quite explicit about the need to ensure that livelihoods preserve the integrity of the natural resource base (Carney, 1998; Department for International Development (DFID), 1999; Scoones, 1998; UNEP, 2006). However, as Rakodi and Lloyd Jones (2002) point out, informal trading is an example of alternative livelihood strategy that does not degrade

environmental or natural capital. In that respect, informal trading can be considered to be environmentally sustainable.

### ***3.2.1c Defining Social Sustainability***

In DFID's (Rakodi & Lloyd Jones, 2002) view, social sustainability refers to minimisation of social exclusion and maximisation of social equity. According to the World Bank, poverty reduction can be realised when growth is balanced with equity and empowerment (Bourguignon, 2006). Equity or social sustainability is a condition for sustained growth, which in turn is necessary for employment creation, sustainable livelihoods and poverty reduction. Social sustainability is achieved when efforts to decrease inequality through redistribution (Wade, 2006) focus on addressing factors that hinder poor people's attempts to engage in productive activities (Fosu & O'Connell, 2006). The constraints can be taken here to include the challenges that face informal traders in rural areas, as a result of inequitable access to assets and resources, when compared to their urban counterparts.

### **3.2.2 Defining Livelihoods**

A livelihood comprises the capabilities, assets (including both material and social resources) and activities required for a means of living (Carney, 1998). In other words, a livelihood can be defined as "the means of gaining a living, including livelihood capabilities, tangible assets and intangible assets," (Chambers, 1995: 174). Chambers (1995) states that the core of a livelihood can be expressed as a living, with people, tangible assets and intangible assets contributing to it. He goes on to define tangible assets possessed by a household as "stores such as food stocks, stores of value such as gold, jewellery and woven textiles and cash savings," (Chambers, 1995: 174). Tangible assets also include "resources such as land, water, trees, livestock, farm equipment, tools and domestic utensils," (Chambers, 1995: 174). Intangible assets can be defined as:

Claims which can be made for material, moral and other practical support, and access, meaning the opportunity in practice to use a resource, store or service, or to obtain information, material, technology, employment, food or income (Chambers, 1995:174).



Formal employment can present an individual with a livelihood. However, in the absence of such employment, “most livelihoods of the poor are based on multiple activities and sources of food, income and security,” (Chambers, 1995: 174), and these include, and may not be limited to, informal trading of goods and services.

### **3.2.3 Defining Sustainable Livelihoods and Livelihood Security**

A sustainable livelihood refers to a living which is adequate for the satisfaction of basic needs, and secure against shocks and stresses (Chambers, 1995: 175). A sustainable livelihood is described as follows:

A livelihood is sustainable when it can cope with and recover from stress and shocks and maintain or enhance its capabilities and assets both now and in the future, while not undermining the natural resource base, (Carney, 1998: 15).

'Stress' in this context is defined as a small, regular, predictable disturbance with a cumulative effect, while a shock is a large, infrequent, unpredictable disturbance with immediate impact (Scoones, 1998). In the context of this study, an example of 'stress' is a drop in sales of an informal trader of goods and services, while an example of a 'shock' is the loss of an entire stock of goods for sale as a result of a fire, looting, theft or confiscation by regulatory authorities such as municipal police. Shocks also include sickness and death (Neves, 2017), which have a potentially debilitating impact on a household's livelihood structure. Both 'stress' and 'shock' have the potential to threaten, to varying degrees, the sustainability of informal trading of goods and services as a livelihood strategy. The definition of sustainable livelihoods embodies resilience, the ability to cope, adapt and improve well-being, without undermining or depleting the natural resource base. Ratner (2000) links the concept of sustainable livelihoods to livelihood security and defines “sustainable livelihood security” as “an adequate, decent and secure livelihood,” which includes:

a level of wealth and of stocks and flow of food and cash which provide for physical and social well-being. This includes security against sickness, against early death and against

becoming poorer. It includes, thus secure command over assets as well as income and good chances of survival (Ratner 2000: 5).

### **3.2.4 Defining Livelihood Diversification**

Livelihood diversification refers to “a process by which households construct, [maintain and continuously vary] a [highly]diverse portfolio of activities and social support capabilities, [overtime], in order to [secure survival], improve their living standards and manage risk,” (Mathebula, Molokomme, Jonas & Nhemachena, 2017: 1). Livelihood diversification is practiced by rural households in the developing world in an attempt to take themselves out of poverty. It entails undertaking multiple livelihood strategies. The livelihood strategies may be undertaken in different contexts or places, in different time spans and in different seasons (Neves, 2017). According to Du Toit and Neves (2007), about 50% of all rural incomes in low income countries come from livelihood diversification that includes non-farm employment, small-scale informal trade and urban migration. Livelihood diversification can be undertaken within a single livelihood strategy or between different livelihood strategies (Twine, 2013). For example, within a single livelihood strategy, such as agriculture, livelihood diversification may involve simultaneously carrying out livestock production and crop farming (which are separate livelihood activities). Conversely, livelihood diversification may be practised between activities, for example using formal sector resources and skills in informal economic activity (Neves, 2017). Twine (2013) highlights the importance of livelihood diversification as a way of enhancing livelihood resilience, which in turn underpins livelihood sustainability. Livelihood diversification cushions households from uncertainty and buttresses their resilience to shocks and stresses which are characteristic in rural communities (Twine, 2013).

Livelihood diversification includes asset diversification (Loison, 2015), income diversification (an increase in the number of sources of income) (Mathebula et.al., 2017) and activity diversification. However, livelihood diversification is more than income and activity diversification as, there are some livelihood activities that are non-income, meaning they do not necessarily generate an income. For example, unpaid care work whereby one looks after a

relative's child (while the parents of the child take part in some productive activity) without being paid to do that). On the other hand, some income-enhancing livelihood aspects are non-activity, that is the beneficiary does not necessarily perform an activity. Examples are state cash transfers and remittances from family and kin.

Rural livelihood diversification can be practised by **sector** (for example, undertaking agricultural sector and non-agricultural sector livelihood strategies simultaneously); by **function** (for example, undertaking wage employment and self-employment simultaneously); and by **location** (for example, undertaking both on-farm and off-farm livelihood strategies) (Mathebula et al., 2017). Informal trading, undertaken by wage-workers or self-employed people is an example of a non-agricultural sector activity that may be conducted off-farm, to supplement or complement agricultural-based livelihood activities. Loison (2015) views livelihood diversification in rural Sub-Saharan Africa as a long-term deagrarianisation process in which smallholders are invariably moving away from farming. Livelihood diversification in a rural context is thus seen in essence as being diversification from agricultural or land-based livelihoods (See Mathebula et.al., 2017). According to Loison (2015), infrastructural development, that includes modern transport and communication networks, the emergence of rural towns and the increasing ease of accessibility to urban areas are some of the factors that are making it easy for rural people to diversify their livelihoods. Mathebula et. al. (2017) place livelihood diversification within the overall context of the diversification of smallholder rural economies, which became visible and gained momentum over the period of structural adjustment characterized by smallholders' attempts to divide their time and resources equally between farming and off-farm activities such as informal trading. In diversified livelihood activities where farm and off-farm activities are pursued in supplementary and complementary fashion, income from both activities interacts in a reciprocal way in that income from farming activities may be the source of capital for non-farm informal economic activities, while on the other hand nonfarm income may be invested in improved farm practices, thereby increasing the chances of one crafting their way out of poverty (Loison, 2015).

Rural households do not have the same capacity and capability to diversify their livelihoods as diversification depends on the material resources available to a household (Neves, 2017). As a

result of that social differentiation or differences in material resources, which different households have at their disposal, better-off or wealthier households are likely to diversify into high-return activities (Du Toit & Neves, 2007; Mathebula et.al., 2017; Neves, 2017), which generate high incomes, for example, transport businesses. Conversely, poorer households, often with less material resources and inferior education are confined to low-income, labour-intensive activities like street trading and doing informal piece jobs that leave them trapped in structural poverty. Diversification amplifies and deepens social differentiation and the two mutually reinforce each other since by diversifying into high-return activities, the wealthier become even much wealthier (Neves, 2017). Livelihood diversification can be either survival-led or opportunity-led.

### **3.2.5 Types of livelihood diversification**

Reasearchers (Loison, 2015; Mathebula et. al., 2017) classify practices of livelihood diversification into two main types, namely, **survival-led diversification** and **opportunity-led diversification**. “Survival-led diversification is mainly driven by push factors and occurs when poorer rural households engage in low-return activities to ensure survival, reduce vulnerability or avoid falling deeper into poverty,” (Mathebula et. al., 2017: 2). **Push factors** are negative factors associated with certain livelihood activities. An example of a push factor is market access problems due to poor infrastructure and high transaction costs (Loison, 2015). “Opportunity-led diversification is mainly driven by pull factors and it occurs when wealthier rural households engage in high-return non-farm activities with accumulation objectives, in order to increase household income by maximizing returns from their assets,” (Mathebula et.al., 2017: 2). **Pull factors** are positive factors that attract households to engage in additional livelihood activities to enhance their income status and living standards (Loison, 2015). The main impetus behind household members’ efforts to diversify their activities is, therefore, the need to take advantage of opportunities, adapt to constraints and manage risk (Loison, 2015; Mathebula et. al., 2017; Neves, 2017). In that vein, diversification is, therefore, a cushion that ensures livelihood survival during times of crisis or negative economic conditions, as well as being a factor in enhancing livelihood security under positive economic conditions (Loison, 2015). Arguing from the same standpoint, Alemu (2012) is of the view that diversification is a result of

households' pursuit of voluntary and involuntary strategies. That is, on the one hand it can be an **ex-ante** risk aversion (Mathebula et al., 2017) or proactive risk minimisation (Alemu, 2012) strategy (opportunity-led). On the other hand diversification can be an **ex-post**, reactive, coping strategy (survival-led). A distinction can be made between diversification as coping strategy and diversification as risk management. On the one hand, risk management is described as an ex-ante deliberate strategy where a household proactively pursues a range of livelihood strategies in order to have something to fall back on in the event of collapse or failure of one of the livelihood strategies (Loison, 2015; Mathebula et. al., 2017). On the other hand, coping is described as the expedient pursuit of a livelihood strategy as a reaction or response to disaster or unforeseen circumstances that cause failure of a major livelihood source (Loison, 2015; Mathebula et. al., 2017).

### **3.2.6 Livelihood diversification between the informal economy and agriculture**

With regard to livelihood diversification and the link between informal economic participation as a livelihood strategy and agriculture, Dercon and Krishnan (Loison, 2015) point out that in Tanzania and Ethiopia it was found that households that were involved in off-farm activities such as trade or business had higher levels of assets, income and consumption than those that relied solely on farming. A study by Ellis and Mdoe (Loison, 2015) also shows a similar pattern, that is in Tanzania better-off households diversified into high return non-farm activities and had higher agricultural productivity than poor households. Likewise, in Ethiopia diversified households had higher agricultural productivity and on-farm and off-farm incomes complemented each other (Loison, 2015). Panel evidence from Ethiopia reveals instances whereby households accumulated capital from low-return non-farm activities and subsequently gained access to high-return activities (Loison, 2015). This observation leads to the conclusion that although opportunity-led diversification in Sub-Saharan Africa is often the preserve for wealthier households, survival-led diversification is potentially sustainable as it may lead to improved conditions for poorer households (Loison, 2015).

Findings from studies carried out in Kenya show a positive correlation between engagement in high-return non-farm activities and agricultural productivity (Loison, 2015). A study in Burkina

Faso revealed evidence of households using nonfarm incomes to invest in farm assets such as animal traction (Loison, 2015). Similarly, evidence from Senegal reveals households' use of nonfarm incomes to purchase inputs such as seeds, fertilisers and livestock (Loison, 2015). A study was carried out in seven African and Latin American countries to investigate the relationship between income and the process of structural change towards a more diversified rural economy (Loison, 2015). The seven countries in which the study was carried out included four Sub-Saharan countries (Kenya, Senegal, Mali and Madagascar). Findings from the study led to the drawing of the conclusion that rural households with low income levels focused on elementary survival strategy, while access to considerable income opened up avenues for diversification between various activities in an attempt to spread risk (Loison, 2015). Similarly, livelihood specialization into purely farm or purely off-farm activities is correlated with households that have higher levels of income (Loison, 2015). However, it is argued (Loison, 2015) that Sub-Saharan African rural households lack the capacity to achieve livelihood security as they are trapped in structural poverty, which also blocks them from acquiring sufficient income that would put them at the level of livelihood specialization.

Findings from Ersado's (Mathebula et.al., 2017) study in Zimbabwe reveals that households with diversified income sources were in a better position to withstand shocks. Schwarze and Zeller's (Mathebula et.al., 2017) study in Indonesia found that the wealthier the household generally is, the greater the potential and likelihood of diversification outside agriculture. The study also found evidence of diversified income sources among poor households.

### **3.2.7 Livelihood diversification among informal traders**

Mubaiwa (2014) found diversification of livelihood strategies among informal fishermen in Cape Town. For instance, besides their informal fishing business, they also relied on remittances to support their livelihood. In another study in Cape Town it was found that besides selling snoek, during off-season in terms of fish stock, the fish traders also engaged in the taxi business, fruit and vegetable vending and running shebeens (Mubaiwa, 2014). Chirau's (2012) study provides evidence of some form of diversification within the informal trading livelihood strategy whereby the traders sold a wide variety of items. Informal traders were also found not to rely entirely on

vending as a livelihood strategy (Chirau, 2012). On the other hand all the respondents in Ndiweni, Mashonganyika, Ncube and Dube's (2014) study indicated that the informal business was their only source of income. A countrywide survey on informal traders in South Africa was carried out by the Bureau of Market Research (Martins & Lighthelm, 2004). They found that most informal traders engage in a venture not to supplement income earned in formal employment but on a full time basis often as the sole source of livelihood. The results showed that 83.8% of the people studied were engaged in their business on a full time basis. Similarly, Ngundu (2010) found that the trade activities of female informal traders in Chegutu, Zimbabwe were their only source of livelihood and most were in it due to unavailability of other options. This position is also supported by Chilwalo (2015) who found that the majority of informal traders in Lusaka, Zambia, did not have other forms of income. Evidence from the Eastern Cape, in a study by Neves and Du Toit (2013) reveals a pattern of diversification, with livelihoods often founded on social capital, remittances, state transfers, on-farm and off-farm activities, with evidence of linkages between formal and informal economic activities (Neves & Du Toit, 2013).

Some of the studies referred to above were conducted in a different political, social, economic and cultural context to that contained in this study. The external forces that acted as the stimulus behind the people's livelihood strategies in those contexts can in no circumstances be directly transferred to the local environment and pressures to which informal traders in Mount Frere react. The informal traders in this study react to a political, economic, social and cultural environment that is peculiar to the context in which the study is based. It is also crucial to note that the welfare state in most of the African countries is not as strong as it is in South Africa and in the most extreme instances, like Zimbabwe, the welfare state is virtually non-existent. For example, there are no social grants and no free social services such as health and education. This has an important bearing on how livelihood strategies are constituted. That notwithstanding, this study has derived a lot of lessons from the above-mentioned studies.

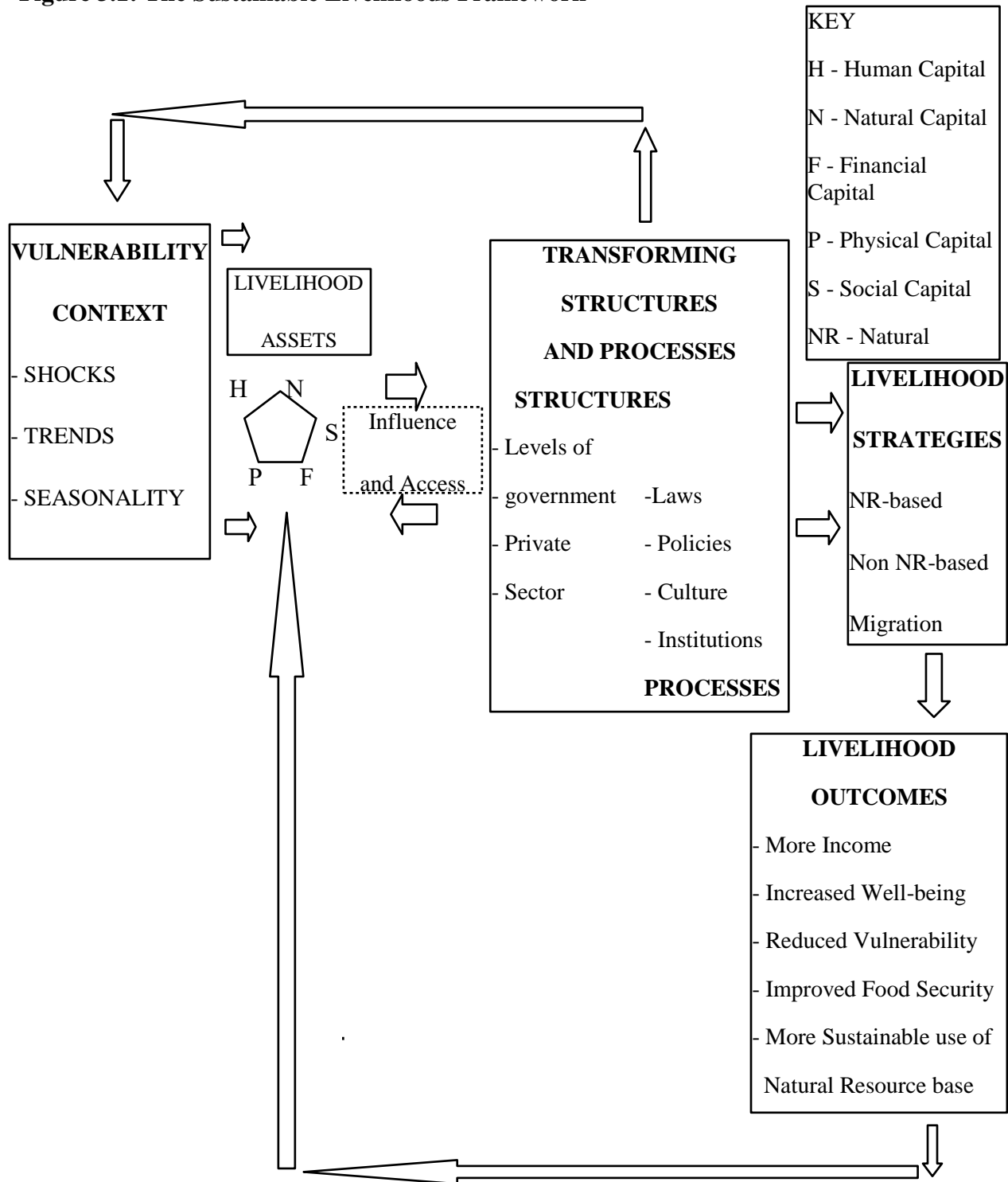
### **3.3 THE SUSTAINABLE LIVELIHOODS APPROACH**

Alternatively known as the livelihoods approach (LA) or the sustainable livelihoods approach (SLA), the sustainable livelihoods framework (SLF) is a framework for undertaking policy work

on poverty reduction. It “was developed in the late 1990s in order to capture for a variety of purposes, the multiple strands that comprise people's efforts to attain and sustain an adequate living” (Ellis, 2006: 346). It captures what people do in order to make a living, the available resources they use in pursuit of livelihood strategies, the challenges they are likely to encounter, as well as the institutional and policy contexts that either aid or hamper their progress in pursuit of a sustainable livelihood (Ellis, 2006). The SLF is central to an achievement of such an understanding as it recognises that there is a wide array of formal and informal organisations and institutional factors that influence sustainable livelihood outcomes (Scoones, 1998). The SLA is based on what people have in their possession, the assets, and seeks to understand the processes by which people harness these assets in the form of activities or livelihood strategies with the aim of converting the assets into livelihood outcomes. According to DFID (1999), the SLA seeks to develop an understanding of the factors that lie behind people's choices of livelihood strategy (this insight is gained in part by considering the vulnerability context and the resources that people have at their disposal). It seeks to reinforce the positive aspects (factors which promote choice and flexibility) and mitigate the constraints or negative influences (DFID, 1999), mainly imposed by transforming structures and processes. Figure 3.1 overleaf shows the various components of the framework and how they link with each other. The arrows on the diagram do not represent direction of cause-effect, but serve to show the inter-linkage and influence that one component of the framework has on the other.



**Figure 3.1: The Sustainable Livelihoods Framework**



Source: Carney (1998); DFID (1999)

The framework is made up of five components, namely the vulnerability context, livelihood assets, transforming structures and processes, livelihood strategies and livelihood outcomes. These five components represent concepts that are linked with each other. The five separate components that make up the framework relate with one another as shown in the diagram above. According to DFID (1999), analysis of sustainability of a livelihood strategy does not necessarily have to always start with the vulnerability context. People-centred analysis can start with a simultaneous assessment of the assets that people have, the objectives they seek to achieve (livelihood outcomes) and the livelihood strategies they employ to that end. These five components are explained below;

### **3.3.1 Vulnerability Context**

The vulnerability context frames the external environment in which people exist and the factors that make up the vulnerability context have a direct impact upon people's asset status and the livelihood options that are open to them (DFID, 1999). The livelihoods approach originates in a literature on food security and famines, from which it derives particular strength for understanding vulnerability and coping (Ellis, 2006). According to Chambers (1985), vulnerability means not lack or want but exposure and defencelessness. The vulnerability context is made up of shocks, like conflict, that can destroy assets directly and force people to migrate; trends, for example national or international economic trends such as recession, which can cause people to lose jobs and lead to high levels of unemployment, population trends that may cause concentration of high populations in certain areas, thereby putting pressure on available formal employment opportunities; and seasonality, for example seasonal shifts in available employment, prices and food availability, which are common in developing countries (DFID, 1999). To this may be added political instability and persecution, which increases cross-border migration.

Chambers (1995) identifies two sides to vulnerability: the external side of exposure to shocks, stress and risk; and the internal side of defencelessness, which is a lack of means to cope with shocks. Vulnerability may better be understood as the negative outcomes of processes of change, which may be economic, social, environmental or political and may take the form of long-term trends, 'shocks' or cyclical processes such as seasonality (May, 2000). The ability of individuals

to cope in the face of the threat posed by vulnerability is largely determined by the level of assets they have. The key point to underline here is that the vulnerability context, which may sometimes be compounded by structures and processes lies outside people's control, but people can capitalise on the positive aspects of the vulnerability context to improve their resilience. This may be achieved in part through strengthening the asset base.

In the context of this study, the vulnerability context in which people find themselves includes factors like poverty and unemployment. Most informal traders engage in vending out of necessity and unemployment and would readily take up formal employment if the opportunity arose (Chirau, 2012).

As Rakodi and Lloyd-Jones (2002) write, the vulnerability context within the sustainable livelihoods framework refers to sources of insecurity to which poor people are subject. It includes shocks, trends and seasonality which have an adverse effect on employment opportunities. In some cases, commencement of vending activities often coincides with shocks or trends that impinge on other livelihood strategies such as formal employment (Chirau, 2012). The vulnerability context of the poor in Mount Frere which is characterised by uncondusive agro-ecological factors that do not promote agricultural-based livelihoods, poor education and high unemployment (Neves, 2017) is responsible for the widespread poverty and vulnerability. It affects poor people's asset base and determines the coping strategies they can adopt in an effort to achieve sustainable livelihood outcomes.

### **3.3.2 Framing the vulnerability context of Informal traders in Mount Frere**

The informal traders in Mount Frere can be framed within the vulnerability context based on six factors, namely: poverty and vulnerability and participation in the informal economy; poverty and vulnerability as lack of income; poverty and vulnerability as lack of basic needs; poverty and vulnerability as social exclusion; poverty and vulnerability as lack of sustainable livelihoods; and poverty and vulnerability as human development deficit.

#### ***3.3.2a Poverty and vulnerability and participation in the informal economy***

The link between poverty and the informal economy is symbiotic and feeds both ways in that, on

the one hand, poverty drives people into the informal economy to construct livelihoods. On the other hand people engage in informal economic activities as a strategy to fight poverty. The traditional view of poverty has been a tendency to associate it with quantifiable economic indicators like income, but it is now being increasingly appreciated that an understanding of poverty should ideally go beyond income to include other intangible, abstract aspects of well-being. Poverty, although it, in part, “refers to lack of physical necessities, assets and income,” it “is more than being income poor,” (Chambers, 1995: 188; White & Killick, 2001 :10). It is in light of this latter stance that Max-Neef (1991: 18) proposes a perspective that transcends the boundaries of income poverty to start to speak not of poverty, but “poverties”. According to Chambers (1995), poverty is one dimension of deprivation (the others being physical weakness, isolation, vulnerability and powerlessness) and should not be mistaken to mean the same as vulnerability. The latter does not mean lack or want, but exposure and defencelessness. For purposes of this study, the researcher has adopted Davids's (2009) perspectives on poverty, and used the perspectives to frame the vulnerability context that drives people in Mount Frere into the informal economy. The starting point that recognises the link between poverty and the informal economy is informed by evidence from the literature, which is replete with views of writers (Chen, 2012; Devey, Skinner & Valodia, 2006; Kingdom & Knight, 2007; Neves, 2017; Neves & Du Toit, 2012; Rogerson, 2007) who explicitly advance the argument that such a link exists. According to Davids (2009), poverty and vulnerability can be conceptualised, defined and understood through the income perspective, basic needs perspective, social exclusion perspective, sustainable livelihoods perspective and human development perspective. A discussion of these aspects of the vulnerability context, each in turn, with reference to other relevant literature, and how they relate to informal traders in Mount Frere, follows below.

### ***3.3.2b Poverty and vulnerability as lack of income***

“Clearly, the experience of poverty is not exclusively about an absence of income, but ... income poverty is a very significant dimension of poverty,” (Leibbrandt, Poswell, Naidoo, Welch & Woolard, 2005: 10). The income perspective classifies people as poor if their income falls below a defined income measure, in which case the poverty datum line is commonly used (Davids, 2009; Leibbrandt et.al., 2005). Poverty lines can be drawn using the Purchasing Power Parity (PPP) (Chen & Ravallion, 2001) or in accordance with the Consumer Price Index (CPI) of a

particular country. However, it is often ideal and held as common practice to use an internationally accepted benchmark such as \$1 per day in order to allow for international poverty comparisons. Where income data is not readily available, income poverty can be assessed using proxies for income poverty such as child undernutrition (Aliber, 2003). It is usually from the income perspective that people derive economic class consciousness. According to Spicker (2007) a class in economic terms is determined by people's relationship to the system or means of production. It follows therefore that as a result of lack of power to command resources, marginal workers, the disabled and, to a certain extent, women, are likely to be poor. In South Africa income is used as a basis on which eligibility for grants and subsidies such as pensions and housing is calculated.

Various criticisms have been levelled against defining poverty from an income perspective, with critics pointing to its inadequacy. For example, “a comprehensive analysis of well-being stretches beyond the assessment of poverty and inequality based on income measures to include other key indicators of living standards which may not be fully accounted for using only the income approach,” (Leibbrandt et.al., 2005). Income and consumption analysis focus on the household as this is the level at which data are collected (Hulme & Shepherd, 2003). As such, it “does not reflect inequalities within the household [and ignores] differences in command over non-market goods,” (Chen & Ravallion, 2001: 283). Particular individuals within a household defined as non-poor may be disproportionately poor because of their gender, age or social status. Moreover:

Relying on ... income and consumption measures as surrogates of chronic deprivation may not be enough where poverty is persistent, as multidimensional deprivation is likely to underpin long-term poverty. As variables for poverty assessment [and basis for defining poverty] income and consumption are much more likely to fluctuate over short periods of time than are measures such as literacy or tangible assets and thus to present poverty as a transient phenomena, even when this is not the case (Hulme & Shepherd, 2003: 5).

Regardless of the criticism levelled against the income approach to measuring poverty, it may be

stated that poverty in Mount Frere may be explained as being in part a result of inadequate income as a result of scarcity of formal employment opportunities in the area. People are therefore pushed into the informal economy so that they may acquire income to take themselves out of poverty.

### ***3.3.2c Poverty and vulnerability as lack of basic needs***

The basic needs perspective defines poverty on the basis of material needs (Spicker, 2006). The idea of 'basic needs' originated with a group of Latin American theorists and was officially launched at the International Labour Office World Employment Conference in 1976 (Preston, 1997) and subsequently adopted by Robert McNamara, President of the World Bank (Stewart, 2006). The ILO defines basic needs as “the minimum standard of living, which a society should set for the poorest groups of its people,” (Stewart, 2006: 7). The basic needs perspective makes a distinction between universal and objective needs on the one hand and culturally shaped ones on the other. “The former implies a concentration on the minimum physiological needs of human beings, whereas the latter imply a broader set of concerns which embrace both material minima and the minima of particular cultural forms of life,” Preston (1997: 245). The basic needs perspective is in keeping with the 'absolute' concept of poverty, subscribers to which notion believe that there is a minimum (basic needs) that everyone ought to have (Spicker, 2007). Absolute poverty has been explained as being, “a level of minimum need, below which people are regarded as poor, for the purpose of social and government concern, and which does not change over time,” (Spicker, 2007: 12). Basic needs cover:

Minimum requirements for personal consumption of food, shelter and clothing; and access to essential services such as safe drinking water, sanitation, health, education and transport; and the satisfaction of needs of a more qualitative nature: a healthy, humane and satisfying environment, and popular participation in the making of decisions that affect the lives and livelihood of the people and individual freedoms (Stewart, 2006: 16; see also Davids, 2009: 39, Preston, 1997: 245-246).

“By making participation part of the approach, the ILO indicates that what is to be provided is not indeed to be determined paternalistically, but people themselves should contribute to defining

their needs”, (Stewart, 2006: 16). In South Africa, a majority of people in the predominantly rural provinces of the Eastern Cape lack adequate access to the above basic needs, and can thus, in accordance with this perspective be “classified as the poorest,” (Davids, 2009: 39). Getting into the informal economy, for example through informal trading of goods and services thus becomes, for the people of Mount Frere a way of trying to afford for themselves the basic needs such as food, shelter, clothing, transport, health and education (although the last 2 are to some extent provided for by the state).

According to Stewart, the main weakness of the basic needs perspective lies in the “apparent arbitrariness in choice of the core 'basic needs' goods and services and the determination of the levels to be aimed at,” (Stewart, 2006:17). Spicker (2007:12) cites Townsend who argues that the 'absolute poverty' concept on which the basic needs perspective leans represents “a minimalist, reductionist view of poverty.” It is reductionist because it seems “to ignore the issues of lifestyle [and] social relationships; it is minimalist because it has been used to justify minimum social benefits and a narrow focus on issues like nutrition” Spicker (2007: 12).

### ***3.3.2d Poverty and vulnerability as social exclusion***

According to this perspective people are defined as being poor when they are excluded from the mainstream benefits of the general wealth of the society and are “prevented in some way from fully enjoying the general prosperity,” (Davids, 2009: 39). The social exclusion perspective uses social class as the basis of defining poverty. Those who occupy the lowest class, that is, lack status, power and opportunities available to others are classified as poor (Spicker, 2007). This perspective goes beyond economic indicators to include political and social indicators and thus has more emphasis on inequality, which is often the cause of poverty (Davids, 2009). With emphasis on social relationships (Spicker, 2007), the social exclusion perspective defines as poor, people who are ‘shut out’, left out’, ‘pushed out’ or ‘excluded’ from society (Spicker, 2007). These include vulnerable people like refugees, the disabled, orphans, female-headed households, the elderly, retrenched farm workers, the street homeless and people who are socially marginalised, for example drug users. The group that fall within this definition of poverty are often the 'chronically poor' (Aliber, 2003), that is those for whom escape from poverty is a very distant and often unrealisable possibility. Chronic poverty is understood as

poverty that is persistent and likely to be transmitted from one generation to the next (Aliber, 2003; Howe & McKay, 2007; Hulme & Shepherd, 2003). This contrasts with 'transitory' poverty whereby individuals move in and out of poverty. Without outside assistance people who are chronically poor as Aliber (2003) puts it, are likely to remain in poverty.

Participating in the informal economy in Mount Frere through informal trading may allow people to extend their social capital networks that may have added advantages that go beyond the informal market. This position is taken in line with Ratner's (2000) and Neves' (2017) observations that social capital forms an important pillar that supports informal economic activities. By getting embedded into this social capital network informal traders in Mount Frere may be responding to the vulnerability posed by social exclusion as a way of trying to give themselves a voice by actively participating in social and economic relationships. Actively engaging in the informal economy may also result in people acquiring knowledge and learning skills within the informal economy thereby fending off the vulnerability of social exclusion that fosters a lack of knowledge and skills.

### ***3.3.2e Poverty and vulnerability as lack of sustainable livelihoods***

From the 1990s, the definition of poverty from a sustainable livelihoods perspective has been the buzzword in development studies, economics and associated literature, for example (Carney, 1998; Chambers, 1995; Davids, 2009; DFID, 1999; Ellis, 2006; Goldman, Carnegie & Marumo, 2000; Rakodi & Lloyd-Jones, 2002; Scoones, 1998). From this perspective poverty is defined according to context or geographical location, giving individuals and communities a chance to define and solve their own poverty (Chambers, 1995; Davids, 2009; DFID, 1999; Scoones, 1998). By giving more prominence to vulnerability than poverty per se, this perspective effectively recognises the importance of contextuality and local variations in understanding poverty. Defining poverty within the framework provided by this perspective appreciates the idea that poverty is not a 'chronic' and fixed condition and that poor people are not entirely dependent and helpless, but may be economically active (Spicker, 2009), with a capability to "move in and out of poverty," (White & Killick, 2001: xiv; May, 2000) by exploring livelihood options such as informal trading of goods and services.



### *3.3.2f Poverty and vulnerability as human development deficit*

This perspective defines poverty from the point of view of people's choices, human rights, social and political freedoms. It follows, then, that people with limited or no choices in life, whose rights are not recognised, are restricted from participating, and whose social and political rights are not respected are regarded as poor. Ultimately this perspective seeks to ensure that individuals, “lead a long and healthy life in which they are educated and have access to a decent standard of living,” (Davids, 2009: 40). The whole process should be guided by public participation. According to Davids (2009), the human development perspective represents an integrated and comprehensive approach to understanding poverty as it combines the key elements of the alternative perspectives. It makes use of “composite indicators that reflect the diversity of the poverty condition,” (Davids, 2009: 40).

The above framing of the vulnerability context of informal traders in Mount Frere reveals that the vulnerability context of the poor includes factors that may be broadly classified as physical or natural, political, social and economic (Burkey, 1996). The **physical or natural** dimension of the vulnerability context includes factors such as lack of natural resources, poor soils and unfavourable terrain; the **political** dimension includes factors such as lack of or ineffective local government institutions, corruption, lack of participation, legacies of colonialism, and apartheid in the case of South Africa, political instability, civil wars and refugees; the **social** dimension includes lack of knowledge and skills, dependency thinking, poor social services, corruption and mismanagement, racial and gender inequalities; and the **economic** dimension includes lack of savings, lack of credit, lack of transport and communication, inflation, inefficient industries and parastatals (Burkey, 1996). Put together, these factors frame and characterise the vulnerability context of informal traders in Mount Frere. Having framed the vulnerability context the study now turns to look at livelihood assets.

### **3.3.3 Livelihood Assets**

The second component of the sustainable livelihood conceptual framework is the assets which poor people possess. Alternatively called capitals, livelihood assets can be thought of as livelihood building blocks. It is the assets that people endeavour to convert into livelihood outcomes (DFID, 1999). Different assets are required to achieve different livelihood outcomes

and the more assets one has the greater the range of options and ability to switch between multiple strategies in pursuit of sustainable livelihood outcomes (DFID, 1999). Assets may be material or social, tangible or intangible and they form the basis on which livelihoods are constructed (Scoones, 1998). The asset base is made up of human capital (knowledge, skills and good health), financial capital (financial resources), social capital (network of relationships), physical capital (infrastructure and production equipment) and natural capital (natural resource stocks including land) (Carney, 1998).

What is remarkable is that lack of some of the assets push people in Mount Frere into the informal economy. Conversely, the availability of some of those assets enables them to participate in the informal economy. One of the major constraints to the livelihoods of the people in Mount Frere is their lack of human capital. The lack of educational qualifications, knowledge and skills make it difficult for them to get employment in the formal sector (Neves, 2017). Their predicament is compounded by the lack of natural capital in the form of land, and a climate and soil conditions which are not amenable to productive agriculture (Neves, 2017), which further limits the livelihood opportunities available to them. There also is a serious lack of physical and financial capital. The five livelihood assets or capitals are explained below.

### ***3.3.3a Human Capital***

Human capital refers to the skills, knowledge, ability to labour and good health and physical capability important for the successful pursuit of different livelihood strategies (Scoones, 1998). It also includes the emotional and spiritual capacities of an individual as well as the motivation to engage in productive work (Porrirt, 2009). The dual characteristic of human capital is such that on the one hand it is an asset or building block or means of achieving a livelihood. On the other hand, accumulating human capital in the form of good health and good education may in itself constitute an ultimate livelihood objective. In that respect, human capital becomes both a means to an end and its accumulation being, effectively, an end in itself (DFID, 1999). In such a case, human capital as an end in itself becomes a measure of sustainability of livelihood strategies. In the context of this study, where the outcome is positive, that is where informal trading of products and services as a livelihood strategy results in accumulation of human capital points to the sustainability of that particular livelihood strategy. As argued from DFID's (1999) point of

view, human capital is required to make use of the four other types of assets. It is, therefore important, though achievement of sustainable livelihood outcomes cannot happen on the basis of it alone. When considering knowledge-based human capital, one needs to go beyond knowledge and skills derived from the formal education system to include indigenous knowledge systems often transmitted informally. The latter's contribution towards building human capital needs to be acknowledged (DFID, 1999), especially, in the context of this study, bearing in mind that most of the knowledge and skills used in the informal economy are acquired informally within the informal economy (Shabalala, 2014).

### ***3.3.3b Social Capital***

Social capital can be defined as "...features of social organisation, such as networks, norms and trust that facilitate coordination for mutual benefit," (Ruzek, 2014: 28). Social capital consists of networks of friends, relatives and neighbours who can provide invaluable support that can offset a lack of access to the other forms of capital such as human and financial assets. The importance of social capital to livelihoods in general is stated by Neves and Du Toit (2013) and its importance as the bedrock of the informal economy in particular is underlined by Ratner (2000) when he recognises the important role social networks play in gaining access to the informal economy. Scoones (1998: 8) defines social capital as the social resources (networks, social claims, social relations, affiliations, associations) upon which people draw when pursuing different livelihood strategies requiring coordinated actions. From DFID's (1999) point of view, these social resources are developed through the following ways:

- networks and connectedness, which can be vertical or horizontal. The networks foster trust and induce cooperation, which in turn expand people's access to wider institutions, for example political or civic bodies;
- membership of more formalised groups, which often adhere to mutually agreed rules, norms and sanctions;
- the social resources can also take the form of relationships of trust, reciprocity and exchanges.

Porritt (2009) contends that social capital adds value to any activity or economic process and also facilitates a process whereby people share and, in partnership, develop their human capital through it. Social capital is important as it forms the basis for cooperation and it has been found, in previous studies (Akoten & Otsuka, 2007; Chirau, 2012; Mubaiwa, 2014), to be a pillar of support among informal traders. Social resources or social capital networks also significantly reduce transaction costs, boost an informal trader's capital stock and have the potential to act as a cushion or safety net in times of stress, shock or crisis. Relationships within and outside families are often an important part of the asset base, as these can provide money, goods or other important support in times of difficulty (Bass, Reid, Satterhwaite & Steele, 2005). The help from social networks takes many forms that include information or the needed financial capital for start-up. Social capital has the potential to offset the lack of financial capital. In their study of Ghanaian and Kenyan traders, Chu, Benzing and McGee (2007) found that Ghanaians had difficulties accessing financial capital and they owe the success of their ventures to friends and family who can be an invaluable source of support in times of shock or stress. Researchers (Akoten & Otsuka, 2007; Lyons & Snoxell, 2005a; Lyons & Snoxell, 2005b) also reiterate the importance of social capital in lowering transaction costs, enhancing information flow, and the ensuing positive impact on income. Social capital is, arguably, the most important form of asset to informal traders (Ratner, 2000; Ruzek, 2014). In a study of informal fish traders in Cape Town, Mubaiwa (2014) notes the central role played by social capital in the pursuit of informal economic activities when he reports that, "in many communities, people have established a social capital of kinship networks which allows them to access fishing knowledge, capital and resources, which the person may not possess like boots or fishing gear," (Mubaiwa, 2014: 73). Evidence from a Survey of Employers and the Self-Employed reveals that other informal traders were found to access financial capital for start-up through social capital, that is borrowing from relatives and friends (Statistics South Africa, 2014 in Mubaiwa, 2014). Chilwalo (2015) also provides evidence that illuminates the importance of social capital in the informal economy. Although the majority of respondents in her study used own savings to start their businesses, those who got help from friends and relatives, with a frequency of 31.1%, constituted a significant chunk of the respondents. This finding is reminiscent of a similar one by Shabalala (2014), who reveals the versatility with which social capital can be converted to financial capital in the informal economy. A Tanzanian respondent who had been a victim of a business robbery

in which he lost everything indicated that he recovered from the shock through financial assistance rendered by friends (Shabalala, 2014). Ngundu's (2010) study underlines the pivotal role that social capital in the form of financial help, motivation and general advice can play in the success of informal activities. In a study of women traders in Harare, Zimbabwe, Chirau (2012) found that social capital in the form of remittances plays a central role in a household's livelihood portfolio and close to half of the traders in that study started their trade activities with borrowed money. Social capital, in the form of rotational group savings emerges as a way of coping with financial challenges and as being a key feature of social support (Chilwalo, 2015).

According to DFID (1999), of the five groups of livelihood assets, social capital is the one closely linked to structures and processes. From that point of view, the relationship between social capital and structures and processes is said to be two-way. On the one hand social capital may be said to be a product of structures and processes. On the other hand, social structures and processes may be said to be products of social capital (DFID, 1999). As DFID (1999) contend, social capital directly influences the other types of capital. For instance, through improving the efficiency of economic relations, social capital can boost people's income and rates of saving, thereby directly influencing financial capital. In a similar vein knowledge shared within social networks plays a key role in building human capital (DFID, 1999).

DFID (1999) identifies some of the drawbacks of social capital. For example, power relations in hierarchical networks may hinder people from moving out of poverty by closing avenues for mobility. Moreover, claims for assistance may come when the connections are also struggling themselves and therefore not in a position to help. Notwithstanding the drawbacks, social capital as (DFID, 1999) puts it, can be an end in itself, for example it can enhance well-being and a sense of belonging.

### ***3.3.3c Financial Capital***

Scoones (1998: 8) defines financial capital as consisting of cash, credit or debt, savings and other economic assets, including basic infrastructure and production equipment and technologies, which are essential for the pursuit of any livelihood strategy. Financial capital is used in pursuit of livelihood outcomes. DFID (1999) points out two sources of financial capital, which are:

available stocks, consisting of cash savings, credit or liquid assets such as livestock and jewellery; and regular inflows of money in the form of income, pensions, other transfers from the state and remittances. DFID (1999) posits, financial capital is the most versatile of the five categories of assets and cites the following three points to support this assertion. These are:

- it can be converted with varying degrees of ease depending on transforming structures and processes into other types of capital (See also Porritt, 2009);
- it can be used for direct achievement of livelihood outcomes, for example buying food to reduce food insecurity; and
- it can also be transformed into political influence. It can give people access to active participation and influence in policy formulation and legislation.

It is owing to the elusiveness of financial capital (DFID, 1999) that the poor find the other forms of capital (such as social and natural) more important to them.

### ***3.3.3d Physical Capital***

Physical capital is made up of the basic infrastructure and producer goods needed to support livelihoods (DFID, 1999; Porritt, 2009). Infrastructure consists of changes to the physical environment that enables people to meet their basic needs and to be more productive while producer goods refer to the tools and equipment that people use to function more productively (DFID, 1999). Infrastructure is often a public good that is used without direct payment. Exceptions are shelter, which is privately owned and some other infrastructure that is paid per usage. According to DFID (1999) infrastructure in the form of roads and telecommunications help connect remote rural areas to urban areas and also facilitates the transmission of information and migration.

For many rural dwellers, provision of all-weather roads has considerable importance in increasing their access to markets and services (Bass et.al, 2005). Physical capital includes housing, water and energy. In most urban and some rural contexts ownership of a house may guarantee access to financial capital as rooms can be rented out and provide a source of income (Bass et.al., 2005). DFID (1999) lists the following components of physical capital as being essential for sustainable livelihoods: affordable transport; secure shelter and buildings; adequate

water supply and sanitation; clean affordable energy; and access to information and communication. Success of informal economic activities, including informal trading of goods and services also depends on adequate access to these components of physical capital.

### ***3.3.3e Natural Capital***

Natural capital is also known as environmental or ecological capital (Porritt, 2009). It refers to the natural resource stocks (for example, soil or land, water, air, genetic resources and forests) and environmental services (for example, hydrological cycle, pollution sinks, erosion protection, storm protection and waste assimilation) from which resource flows and livelihoods are derived (DFID, 1999; Scoones, 1998). As DFID (1999) rightly states, many of the shocks that destroy livelihoods of the poor are natural processes that destroy natural capital, for example floods are a natural occurrence that destroys natural capital in the form of agricultural land. Natural capital is not only important for those who derive their entire livelihood from natural resource based activities like farming (DFID, 1999). Everyone else including those who derive their livelihood from alternative strategies like informal economic participation also depend on natural capital. For example, disasters like forest fires that destroy natural capital and cause air pollution may be fatal to human health as they affect the respiratory system, thereby posing a serious threat to human capital, thereby curtailing people's ability to engage in various livelihood strategies.

### **3.3.4 Transforming Structures and Processes**

Transforming structures and processes are the institutions, organisations, policies and legislation that shape livelihoods (DFID, 1999). They mediate the process of combining livelihood assets, in pursuit of various strategies geared towards achievement of different livelihood outcomes (Scoones, 1998). Transforming structures and processes determine the following:

- access (to various types of capital, to livelihood strategies, to decision-making bodies and sources of influence);
- the forms of exchange between different types of capital;
- returns (economic and otherwise) to any given livelihood strategy (DFID, 1999).

The 'transforming structures and processes' component of the livelihoods approach mediates the assets and their transformation into livelihood strategies aimed at achieving sustainable

livelihood outcomes. This component of the framework includes the mix of laws, policies and social norms that have the potential to either make or break a livelihood strategy or portfolio of strategies. Most of the significant challenges that threaten the sustainability of informal trading of products and services as a livelihood strategy are found in this component of the framework. These structures and processes are explained in more detail below.

### **3.3.4a Transforming structures**

Structures have been defined as the ‘hardware’ or organisations that are responsible for designing and implementing legislation that impacts on livelihoods. (DFID, 1999). Structures, especially governmental ones, exist at various levels and operate in cascading levels with varying degrees of autonomy and scope of authority depending upon the extent and nature of decentralisation (DFID, 1999). Below is a table showing examples of structures divided between public and private sectors. Some are more important to livelihoods than others, though all of them may in one way or the other impact on livelihoods.

**Table 3.1: Examples of transforming structures that impact on livelihoods**

<b>Public Sector</b>	<b>Private Sector</b>
<ul style="list-style-type: none"> <li>-Political (legislative) bodies at various levels from local to national</li> <li>-Executive agencies (ministries and departments)</li> <li>-Judicial bodies (courts)</li> <li>-Parastatals / quasi-governmental agencies</li> </ul>	<ul style="list-style-type: none"> <li>-Commercial enterprises and corporations</li> <li>-Civil society / membership organisations of varying degrees of formality</li> <li>-Non-governmental organisations (international and local)</li> </ul>

**Source:** DFID (1999). Sustainable Livelihood guidance sheets.

### **3.3.4b Transforming Processes**

Processes are the ‘software’, which determines how structures and individuals operate and interact (DFID, 1999). Processes operate at a variety of different levels, sometimes overlapping



and conflicting with one another (DFID, 1999). The table below shows some of the processes of importance to livelihoods.

**Table 3.2: Examples of transforming processes that impact on livelihoods**

<b>Policies</b>	<b>Legislation</b>	<b>Institutions</b>	<b>Culture</b>	<b>Power Relations</b>
-Macro - Sectoral -Redistributive -Regulatory	-International agreements  -Domestic	-Markets  -Institutions that regulate access to assets  -“Rules of the Game” within structures	-Social Norms and beliefs	-Age  -Gender  -Class  -Caste

**Source:** DFID (1999). Sustainable Livelihoods guidance sheets.

What is presented in the table above has been explained by DFID (1999) as follows:

Policies inform the development of new legislation and provide a framework for actions of the public sector implementing agencies and their sub-contractors. Institutions also called ‘rules of the game’, ‘standard operating practices’, ‘routines, conventions and customs’, ‘the way things are done’, may be formal or informal practices that structure relationships and make the behaviour of organisations somewhat predictable. Institutions operate both within structures and in interaction between structures. Institutions are embedded in and are a product of the culture of communities or larger societies. As such, they are structured by rules and norms of society (Scoones, 1998). DFID (1999) goes further by pointing out that there are hierarchies of power embedded in culture and these hierarchies confer a particular status on people and constrain their behaviour and opportunities according to factors such as gender and age.

Giddens (1979) defines institutions as:

Regularised practices (or patterns of behaviour) structured by rules and norms of society, which have persistent and widespread use (Scoones, 1998: 12).

Alternatively, Davies (1997) (Scoones, 1998: 12) refers to institutions as:

The social cement, which link stakeholders to access to capital of different kinds, to the norms of exercising power and so define the gateways through which they pass on the route to positive or negative [livelihood adaptation].

Understanding institutional processes therefore allows the identification of restrictions or barriers and opportunities (or 'gateways') to sustainable livelihoods (Scoones, 1998). Formal and informal institutions, for example market networks, labour-sharing systems, credit arrangements mediate livelihood resources, thereby determining the choice of livelihood strategies. Scoones (1998) contends that an institutional approach unveils the social processes which underlie livelihood sustainability. The point that the above argument underlines is that of the centrality of the role of social processes, and the factors that govern these, to livelihood sustainability.

### **3.3.5 Livelihood Strategies and Livelihood outcomes**

#### ***3.3.5a Livelihood Strategies***

Livelihood strategies, also known as 'adaptive strategies', is the overarching term used to denote the range and combination of activities and choices that people undertake in order to achieve their livelihood goals or livelihood outcomes (DFID, 1999). Livelihood strategies can be classified into the following domains: **on-farm** (Alemu, 2012; Neves & Du Toit, 2013), which is alternatively referred to as agriculture and other land-based activities (Neves, 2017); **non-farm** (Alemu, 2012), including formal sector employment and informal economic activities (Neves, 2017), which may be waged or own account (Neves & Du Toit, 2013); and **non-labour** sources of income (Alemu, 2012), that is social welfare and grants (Neves, 2017), remittances transmitted through urban labour linkages (Neves, 2017) and **non-income** sources such as social reciprocity founded on mutuality (Neves & Du Toit, 2013; See Also Neves, 2017).

Livelihood strategies or livelihood systems are not the same as 'coping strategies' adopted in times of crisis. Livelihood strategies are determined to a large extent by the assets that the people possess as well as the transforming structures and processes which include the institutions, policies and laws which govern certain activities. Ideally, people should have a wide

range of livelihood strategies from which to choose, in order to reduce their vulnerability. However, in the context of this study some of the poor are forced into informal trading as the only option due to a host of factors discussed above. In order to widen poor people's choices, and pave a way towards sustainable livelihoods, the challenges that have been pointed out in the literature and those that this study will uncover will need to be addressed. The livelihoods approach posits, people's choice of a livelihood strategy is to a great extent determined by the assets (human, financial, physical, social and natural) at their disposal. The poor come up with livelihood strategies such as informal trading of goods and services in order to try and escape from a situation of poverty and vulnerability. For them to be able to use their capabilities to engage in activities of informal trading they need to invest capital in the form of money to purchase the stock. Arguing from the capability approach perspective, Chambers and Conway (1999: 4) assert that the capability to engage in a livelihood strategy is "proactive" as well as "reactive." When applied to informal trading it follows the logic that the poor should be proactive to use their capabilities and exploit opportunities offered by informal trade as much as they may be partaking in the informal economy as a natural reaction to a situation of unemployment, poverty and vulnerability.

Considering the framework was first designed for application in a rural setting where agriculture is the backbone of livelihoods, Scoones (1998) identifies, within the framework, three broad clusters of livelihood strategies seen as the options available to rural people: (i) agricultural intensification or extensification (ii) livelihood diversification, and (iii) migration. That is they can gain more of their livelihood from agriculture through intensification (more output per unit area through capital investment or increases in labour inputs), or extensification (more land under cultivation); or they could diversify to a range of off-farm income earning activities (such as informal economic activities like informal trading of goods and services; or they move away and seek a livelihood elsewhere (Scoones, 1998). Diversification can take the form of 'diversity', 'straddling' and 'linkages' (DFID, 1999). Diversity can be within geographic areas, across sectors, within households, over time. It is a process by which people combine activities to meet their various needs at different times. Straddling as DFID (1999) defines it, is a form of diversity whereby different members of the household live and work in different places temporarily or permanently, taking advantage of mobility of capital that characterises rural-urban linkages. A

grouping of separate livelihood strategies undertaken by an individual or household is called a livelihood portfolio.

Livelihoods typically comprise multiple and dynamic portfolios of different dynamic activities, which are constantly evolved and improvised depending on available capital resources at a given point in time (Scoones, 1998). Individuals and households diversify and complicate their livelihood strategies in order to increase income, reduce vulnerability and improve the quality of their lives (Chambers, 1995). Some of the possible livelihood strategies and sources of food, income support and survival identified by Chambers (1995) include the following: remittances; home-gardening; common property resources (CPRs); processing, hawking, vending and marketing, including produce from home gardens and CPRs; specialised occupations, that is barbers, carpenters, blacksmiths, tailors and in some cases plumbers and mechanics; migration; scavenging; transporting goods with a horse or cart; mutual help – including small borrowings from relatives and neighbours; domestic service; craftwork; family-splitting; seasonal food-for-work, public works and relief; begging, theft and prostitution (Chambers, 1985). Most poor people have portfolios of livelihood strategies that are suitable for different seasons (Chambers, 1995). Different livelihood pathways are pursued over different time scales and activities often vary according to seasons (Scoones, 1998). Over longer periods, for example over several generations, substantial shifts in combinations may be evident as local and external conditions change. It becomes imperative when evaluating the sustainability of different options, to capture the dynamic element characterised by composition and recomposition of livelihood strategies (Scoones, 1998). According to the framework, options open to the poor are determined by their asset status (Ellis, 2006). The more assets one has the more leeway and options one has to choose from, instead of being forced into any given strategy because it is the only option (DFID, 1999).

According to Ellis (2006: 348), “diverse livelihoods permit occurrence of virtuous spirals of accumulation,” whereby cash earned in one line of activity can be used to build assets in another. However, some writers contend that the issue of diversification depends on the level at which analysis is carried out (that is whether at individual or household level). For example, Scoones (1998) is of the opinion that diversification of livelihood strategies is particularly important when

analysis is at household level, and when it is at individual level livelihood specialisation is paramount and makes more sense. This opinion is in keeping with Chambers' (Scoones, 1998) view that in such a case livelihood intensity or specialisation rather than livelihood diversification or total number of livelihood strategies created is key to realisation of sustainability of livelihood outcomes. Structures and Processes feedback directly to livelihood strategies (DFID, 1999) and ultimately, successful diverse livelihood strategies require a facilitating, or at least not actively hampering institutional context (structures and processes) within which to evolve (Ellis, 2006:348). In keeping with this line of argument, the Association of Chartered Certified Accountants (ACCA) (2017) reiterates that success of informal economic activities as a livelihood strategy depends on an enabling rather than prohibitive regulatory environment.

### ***3.3.5b Livelihood Outcomes***

Livelihood outcomes refer to achievements or outputs of livelihood strategies (DFID, 1999). When analysing sustainability of livelihood outcomes one should be sensitive to the livelihood goals of the subjects of inquiry themselves and not assume that people are entirely dedicated to maximising their income. Income (a precursor to improved food security and satisfaction of basic needs), as important as it may be, is not the only measure of livelihood sustainability. Of equal importance and requiring equal focus are the livelihood outcomes of increased well-being and reduced vulnerability. Scoones (1998: 7) throws in a word of caution when he gives expression to his concern that when indicators go beyond the “precise measures, amenable to quantitative assessments,” such as income, which can be objectively measured, to include “very broad and diffuse indicators requiring more qualitative techniques of assessment,” such as well-being, conclusions drawn, with regard to sustainability, become a function of the subjectivity of the person doing the analysis. On the basis of this argument, the whole process of determining sustainability of livelihood strategies will thus lend itself to negotiation. This view, however, put on a balancing scale does not detract from the value, strengths and appeal of the framework in analysing livelihood sustainability.

The livelihood outcomes that are of interest to this study, which should be realised through livelihood strategies include, more income, increased well-being, reduced vulnerability and

improved food security. These correspond to the variables of social sustainability identified in this study which are as follows: satisfaction of basic needs (shelter, food, clothing, health); independent security of subsistence; and full employment. Informal traders can only be able to achieve the above-mentioned livelihood outcomes if their activities are made sustainable, particularly in a social and economic sense.

### **3.4 SUSTAINABLE RURAL LIVELIHOODS IN SOUTH AFRICA**

Sustainable rural livelihoods in South Africa can be broadly classified under 6 livelihood domains, namely: agriculture; informal economic activities; state cash transfers; social reciprocity and mutuality; and migratory practices, formal urban employment and rural linkages.

#### **3.4.1 Agriculture**

Contrary to the assumption “that rural communities are agriculturally based economies ... the viability of smallholder farming has decreased and by default has pushed unskilled labour to the non-agricultural sector” (Mathebula et.al., 2017: 2). This process is driven by the decrease in farm sizes which results in inability to produce surplus beyond consumption needs for market (Mathebula et. al., 2017). This assertion is akin to the perceived notion of deagrarianisation defined by Neves (2017) as the occupational, social and economic movement out of agriculture. A host of other scholars and academic writers (Bank, 2008; Du Toit & Neves, 2007; Mathebula et.al., 2017; Neves & Du Toit, 2013; Perret, Anseeuw & Mathebula, 2005; Phillip, 2011) agree that a wave of this process has gripped South Africa’s rural areas and the Sub-Saharan African region in general. However, without disregarding the above, land is still a significant aspect of rural livelihoods through smallholder agricultural production, intensive cultivation of homestead plots and natural resource harvesting (Aliber & Hart, 2009; Du Toit & Neves, 2013; Van Averbek & Khosa, 2007). Neves (2017) links the waning importance of agriculture in South Africa’s rural areas to uncondusive agroecological factors and constraints relating to market accessibility.

### **3.4.2 Informal Economic Activities**

With regard to informal economic activities, studies reveal that such activities in rural communities are small-scale and survivalist in nature (Neves & Du Toit, 2013). Neves (2017) goes further by noting the “dynamic and contingent” characteristics of much informal economic activity as a source of rural livelihoods. Informal economic participation in a rural context is “improvisational” and is at village level dominated by women (Neves, 2017). The informal economic activities are often connected to endowments (capital, resources and skills) accrued during formal sector employment (Neves, 2017). High-return informal economic activities are often linked to formal employment (Neves, 2017).

### **3.4.3 State Cash Transfers**

Seventeen million and four hundred thousand people (over 30%) of South Africa’s population receive means-tested cash transfers (social grants and pensions) (South African Social Security Agency (Sassa), 2018). Of these, 3.4 million are pensioners who receive state old age pensions, while one million are disabled people receiving disability grants and over twelve million are child support grant beneficiaries (Sassa, 2018). The child support grant was valued at R400 per month per child in mid-2018 while the state old age pension and the disability grant were both valued at R1690 apiece at the same period (Sassa, 2018). The other types of grants, besides the ones mentioned above, are: war veterans’ grant; care dependency grant; foster child grant and grant in aid (Sassa, 2018), all of which have varying eligibility criteria.

In a study in two rural communities in Limpopo, Perret et. al. (2005) conclude that transfers that include grants and state old-age pensions form the backbone of rural people’s livelihoods in South Africa. In a statement that reinforces the centrality of state transfers to rural livelihoods Neves (2017) asserts that three quarters of rural households in South Africa report either wages or social grants as their predominant source of income.

#### **3.4.4 Social Reciprocity and Mutuality**

Social reciprocity and mutuality (Neves, 2017) is rooted in social capital, which has been variously referred to as proximal social protection (Du Toit & Neves, 2009), informal social protection (Bracking & Sachikonye, 2006), and non-formal social protection (Mupedziswa & Ntseane, 2013). Practices of social reciprocity and mutuality, which include material and monetary exchanges of gifts, remittances and unpaid care work “underpin both inter- and intra-household livelihood transfers, and animate urban-rural linkages and household livelihood activities,” (Neves & Du Toit, 2013: 17). The networks and practices of social reciprocity and mutuality are rooted in family, “kinship, clanship, village, ethnic affiliations and neighbourliness,” (Neves & Du Toit, 2013: 18). The practices are based on obligation, entitlement, cultural norms and moral claims (Neves & Du Toit, 2013) and may change due to evolution of cultural mores, and the erosion of the rural social fabric as a result of urbanisation and the accompanying wave of modernisation (Neves, 2017), to such an extent that Seekings and Harper (2010) attribute the decline in remittances, over time, to changing social mores. The decline in remittances is equally attributed to eroding entitlements (Neves, 2017). The erosion of remittances is particularly notable considering that ‘oscillatory migration’ and remittances and ‘resource flows’ through “commodity relations and spatially extended systems of production and consumption,” (Neves & Du Toit, 2013: 11) have for long been the centre-piece linking rural and urban livelihoods. The waning importance of remittances has also been attributed to other factors that include retrenchments and unemployment (Perret et. al., 2005).

Although social capital is irrevocably crucial in the sustainability of livelihoods, it has its downside. Limitations of social capital stem from the fact that entitlement in the networks is not prescribed, but is “the result of culturally inscribed negotiation and contestation,” (Neves & Du Toit, 2013: 19). The reciprocity that is driven by social capital is often not symmetrical. Exchanges are crucially mediated by gender, age, wealth, status and power, resulting in uneven benefits and skewed distribution which has potential to compound the marginalisation and vulnerability of others within the network (Neves & Du Toit, 2013). Moreover, with regard to informal economic participation, the various entitlements and redistributive claims from family,



friends, relatives and customers, if not properly managed can undermine an informal economic participant's business (Neves & Du Toit, 2013).

### **3.4.5 Migratory practices, Urban formal employment and rural linkages**

The system of 'oscillatory migration' has long linked rural livelihoods to external urban opportunities and resources, with migrants prioritising back investment in the rural areas owing to the precariousness of urban employment (Neves, 2017). In a previous study Neves (2017) found that the rural livelihoods of people in the rural Eastern Cape Province were effectively linked to urban opportunities with popular destinations for rural outmigration from Alfred Ndzo district municipality in the Eastern Cape being, in ascending order, the Western Cape, KwaZulu-Natal, Gauteng and elsewhere in the Eastern Cape, for instance to the larger cities of East London and Port Elizabeth. Remittances which are invariably embedded in social reciprocity and mutuality are also a key feature in migratory practices, urban formal employment and rural linkages (Neves, 2017).

## **3.5 LINKING SUSTAINABLE DEVELOPMENT TO LIVELIHOODS AND THE INFORMAL ECONOMY**

Sustainable development, understood as social, economic and environmental sustainability cannot be achieved by focusing only on the formal economy. The informal economy, with its potential to create sustainable livelihoods makes important contributions towards building local economies through creating informal employment and self-employment and also fostering social equity.

### **3.5.1 The Local Economy**

Informal microenterprises are important in creating jobs through self-employment and informal employment, playing a crucial role in alleviating poverty and supporting livelihoods (Sustainable Livelihoods Foundation (SLF), 2016). The informal economy, with its emphasis on creation of local economies driven by local production and consumption, represents a "shift of markets away from a globalised capitalism to that of local economies," (Ruzek, 2014: 31). A shift to the local

economy that recognises the informal economy represents an “alternative economic development,” (Ruzek, 2014), one with the potential to act as an antidote to the Western style of economic development. The latter is detrimental to the environment as it is characterised by overconsumption and thus threatens sustainability (Ruzek, 2014). Tshofuti (2016) notes that the emphasis placed on possible contributions of the formal economy to sustainable development overshadows the importance of the informal economy. Implicit in this assertion is the need to place the local economy represented by the informal economy at the centre of the discussion on sustainable livelihoods, economic growth and sustainable development, recognising that the informal sector helps in regional and local economic development as well as in efforts to achieve fair and equitable distribution of wealth (Tshuma & Jari, 2013). With reference to Chen (2007), Tshofuti (2016) reiterates that part of the effort to promote growth and reduce poverty lies in offering support to informal employment and informal businesses. According to Mahajan (2014), what is imperative is a reorientation from considering the informal economy as marginal, recognising its potential “for growth and development,” (Tshofuti, 2016: 79). According to Ruzek (2014), the informal economy has added benefits for social sustainability. He argues that the “flexible economy and pricing” of the informal sector fosters equity, “as both socioeconomic classes now have the same opportunities,” (Ruzek, 2014: 29) since prices of goods and services can be adjusted according to economic class of clients. Class boundaries are removed, and consumers are brought to the same level as they “interact socially for goods and services,” (Ruzek, 2014: 29). The ‘haggling’ and ‘bartering’ for prices that happens in the informal market that allows prices to be flexible and adjustable is an aspect that is missing in the formal economy. In view of all its benefits that include adaptability and responsiveness to changing demands of consumers, the local economy or informal economy presents an alternative path of development necessary for a sustainable future (Ruzek, 2014).

### **3.5.2 The green economy**

Renewed emphasis on green economic activities has also been recommended as an effective way of creating sustainable livelihoods that include the informal economy (Smit & Musango, 2015). The United Nations Environmental Programme (UNEP) defines the green economy “as one that results in improved human well-being and social equity, while significantly reducing environmental risks and ecological scarcities,” (UNEP, 2011: 16). Focus on green economy

emanates from the realisation that growth has previously been achieved at the expense of degradation and unsustainable use of “ecosystem goods and services that underpin livelihoods,” (UNEP, 2011: 20). The livelihoods of the majority of the poor in developing countries “depend directly on natural resources,” often involving exploiting “fragile environments and ecosystems,” (UNEP, 2011: 19). In an effort to pursue redistributive measures or satisfy the social dimension of sustainability there is a need to connect the green economy to the informal economy (Smit & Musango, 2015). This realisation leads Smit and Musango (2015) to contend that informal green economic activities such as waste picking, recycling, use of renewable energy and other fuel saving innovations and small-scale subsistence farming contribute to sustainable livelihoods. Green economy goes further than environmental sustainability in that in addition to resource efficiency it is also concerned with “redistributive measures that reduce inequality and poverty,” (Smit & Musango, 2015: 1) thereby improving social equity and human well-being. By recognising the need to invest in green economy (Ncube, Shimeles & Verdier-Chouchane, 2014), South Africa’s New Growth Path makes significant strides towards achieving socially inclusive and environmentally sustainable development (Qobo, 2013). Merging the informal economy and the green economy fosters an inclusive green economy. Such an approach goes a long way towards achieving sustainable livelihoods, sustainable development and poverty eradication.

### **3.5.3 Informal trading and Sustainability**

Researchers (Cohen, 2010; Du Toit & Neves, 2007; Nattrass, 1984; Phillip, 2011; Woodward, Rolfe, Lighthelm & Guimaraes, 2011) have divergent views regarding sustainability of informal trading as a livelihood strategy. In a previous study, Du Toit and Neves (2007) concluded that the sustainability or success of self-employment in the form of informal economic participation in Mount Frere in the Eastern Cape Province is not a function of business-related skills, ‘a suitable mind-set,’ ‘entrepreneurial ability,’ or ‘sources of microcredit.’ Rather it is a result of one’s positioning in social networks in which rural society is embedded (Du Toit & Neves, 2007). In the writers’ own words, those with more social capital or are in powerful positions are better poised to succeed in informal economic participation. Cohen (2010: 276) views informal trading as a “coping strategy” which is, in reality “unsustainable desperation measure.” In a similar vein Phillip (2011) argues that these forms of self-employment, in view of the current structural constraints, are a poverty trap rather than really effective first steps towards self-

emancipation from the shackles of poverty. This view has strong implications for sustainability of informal trading as a source of livelihood as it paints the whole informal economy issue and the participants as being geared towards 'immediate gratification' of needs and being incapable of generating income that can be saved and used to build a strong asset base for the long term. Nattrass (1984) reinforces the idea that the relationship between the formal sector and the informal sector is one in which the former exploits the latter, for example through overpricing and inadequate services as suppliers of goods to the informal sector. This, Nattrass (1984), argues is detrimental to the sustainability of informal trading. Nattrass (1984), however, concedes that in certain instances informal traders often make surplus. If the surplus is properly invested in the business, then informal trading can evolve as indeed a sustainable livelihood strategy.

As portrayed above, the issue of sustainability of informal trading is a balancing scale. The evidence from Ngundu's (2010) study shows that the respondents were divided in their opinion concerning sustainability of their trading activities. About 40% of the respondents believed that their ventures were sustainable as the income they generated was enough to cover their needs for food, rentals, school fees and medical care (Ngundu, 2010). About 60% of respondents in Ngundu's (2010) study, however, held the contrary view citing stiff competition, irregular income and an uncertain national economy as the major threats to the sustainability of their activities. Saunyama (2013) reported that informal trade in Rusape, Zimbabwe was sustainable as traders could sustain themselves with the income from their informal trading activities. Likewise, Chilwalo (2015) provides evidence of informal trading as an effective strategy to cope with poverty, unemployment, hunger and shocks such as natural disasters and disease. In a pointer to sustainability of informal trading, it is reported (Chilwalo, 2015) that engagement in informal trading resulted in better socio-economic conditions of the unemployed, improved food security, improved satisfaction of household needs, better education, better health and enhanced ability to cope with vulnerabilities. Findings from Narayan's (2011) study are a clear indication that informal economic activities as a livelihood strategy go beyond income considerations as some female respondents placed equal value on other aspects of well-being such as being able to work in an environment where they were not discriminated against; a chance to meet new people and network; and finding something to keep them occupied. Sustainability of this livelihood

strategy, thus, encompasses several other aspects besides being able to meet satisfaction of basic needs in terms of income. There is evidence that involvement in informal economic activities can enhance the participant's chances of getting better housing. For instance, 32% of respondents in Narayan's (2011) study moved from squatter settlements to urban and peri-urban housing as a result of informal economic activities.

Contrary to the view that associates the informal economy with marginality or survivalism (Association of Chartered Certified Accountants (ACCA), 2017; Cohen, 2010), there is evidence that some informal businesses can hardly be classified as survivalist. According to Tshofuti (2016), businesses with estimated monthly turnovers of R20,000 and below cited survival and unemployment as the reasons for joining the informal sector, while businesses with a monthly turnover of R21,000-R150,000 cited the need to exploit an opportunity as reason to start informal business, which makes the latter opportunity entrepreneurs. However, some businesses classified as survivalist, owing to the operators having started them as a result of lack of other options, actually generate incomes that by far surpass comparable formal sector employment (Tshofuti, 2016). Even at low turnover, informal businesses lead to improvement in education of family (Tshofuti, 2016), which is one benchmark of sustainability as it advances human capital accumulation. Although Ndiweni, Mashonganyika, Ncube and Dube (2014) conclude that informal sector activities are unsustainable, 50% of the respondents indicated that their income was sufficient for household needs including education, food, rentals and remittances.

The literature mentions several variables that determine profitability (in terms of income and sales) and sustainability of informal trading. Woodward, Rolfe, Lighthelm and Guimaraes (2011), although they were testing viability, in the short-term, and not sustainability, in the long-term, in their study of a wide range of informal traders mention the following variables as being crucial to informal business success: initial capital; owner employment status at start of venture; whether the trader is male or female; type of business; urban or rural environment; extent of time the trader has been in business; size of capital and proximity to a shopping centre. They found that the size of capital and the location of the business have a considerable impact on income and sustainability. Shabalala's (2014) findings point to foot traffic and strategic positioning as some of the crucial elements that sustain informal business activity. Woodward et al. (2011) postulate that the lack of a permanent stand for selling potentially affects a hawker's income negatively.

The negative impact however diminishes when commodities of higher values are traded. The above assertion is only true when considering hawkers that sell small items like beverages. Some of the variables of social sustainability mentioned in the literature include the following: satisfaction of basic needs (shelter, food, clothing, health); independent security of subsistence; full employment; reliable and sufficient social security system (Omann & Spangenberg, 2002).

This having been said, the view of sustainability that is of overriding importance in this study is that of continuing poverty reduction (Rakodi & Lloyd Jones, 2002). Poverty reduction is understood to have occurred where there is an improvement in accumulation of assets or the five capitals (financial, human, social, physical and natural) as a result of informal economic participation, particularly informal trading of goods and services as a livelihood strategy. Arguing from the perspective of the definition of a sustainable livelihood, one can say that sustainable informal trading is whereby informal traders are able to survive the stress associated with the livelihood strategy such as drop in sales and survive shocks such as loss of stock due to theft or any other calamity. The reality of informal trade is that it is not as easy as this. The study thus seeks to provide recommendations on how traders can be supported to accomplish a sustainable livelihood through their trade activities.

### **3.6 LINKING THE INFORMAL ECONOMY TO THE SLF**

On the basis of the literature referred to in chapter 2 (the informal economy and the emergence of the South African informal economy) and in chapter 3 (sustainable rural livelihood strategies) the researcher takes the position that unveils the connection between the SLF and the informal economy by considering how the 3 schools of thought on the informal economy (dualist, structuralist and legalist) mirror some of the aspects that make up the components of the SLF. According to the dualist perspective cited above the proliferation of informal economic activities is a response to the vulnerability context manifest through unemployment. The marginal activities (Becker, 2004) that make up the informal economy within this dualist economic model are in essence the adaptive strategies or livelihood strategies (Loison, 2015) that people come up with in the face of rising unemployment. A common argument is that the high level of unemployment is exacerbated by poor asset base, particularly human capital in the form of skills.

The legalist/illegalist view of the informal economy that was discussed under schools of thought on the informal economy in chapter 2 (See sub-section 2.4.3) may be taken to be representative of efforts by informal entrepreneurs to transcend the limitations imposed by the transforming structures and processes (such as laws and regulations) of the SLF. In terms of the SLF, this view is however more associated with opportunity entrepreneurs who only join the informal economy as a ‘livelihood strategy’, having been deterred from entering mainstream (formal) economy by excessive regulation (Becker, 2004), taxation and prohibition of trade in certain goods or services. On the other hand, the above legalist view is associated less with survivalists (necessity entrepreneurs) who are pushed to partake in marginal informal activities as ‘coping strategies’ in times of crisis, rather than doing so as a deliberate effort to find a way around regulations.

By contending that turning to the informal economy is a direct response to capitalist development rather than economic growth (Narayan, 2011) may be seen as the structuralist view of the informal economy’s direct indictment on the notion that associates the rise in informal economic participation with low levels of economic growth that result in diminished employment prospects. It is the researcher’s view in this study that advancing the notion that the increase in informal economic activities is the work of capitalist development whereby capitalists exploit marginal economic actors for their benefit (See sub-section 2.4.2) leaves the impression that informal economic activities are not sustainable and cannot result in the realization of livelihood outcomes such as increased income. That having been said, it is the researcher’s opinion that the structuralist perspective reawakens a keen interest in understanding how informal economic activities can result in sustainable livelihood outcomes such as improved food security, increased income and, on the whole, improved well-being and accumulation of financial, human, physical and social capital.

### **3.7 CHAPTER SUMMARY**

Sustainable livelihoods are a component of sustainable development, which in turn is made up of three dimensions, namely; economic, environmental and social. Rural livelihoods are made up of farm and off-farm activities. On-farm activities are agrarian or land-based whereas non-farm activities cover all non-agricultural activities that include participating in the informal economy.

The practices of livelihood-making can be classified into the following domains: agriculture; state cash transfers; informal economic participation; social reciprocity and mutuality; and migratory practices, urban formal employment and rural linkages. Livelihood diversification, which may be survival-led or opportunity-led is key to livelihood sustainability. Households with diversified livelihoods are more resilient and better able to cope in the event of external shocks. State cash transfers are the backbone of rural livelihoods in South Africa and remittances are decreasing mainly due to a process of deindustrialisation. In South Africa, as in the rest of Sub Saharan Africa, a process of deagrarianisation is taking place, whereby rural households are increasingly moving away from land-based livelihoods. The sustainable livelihoods approach provides the overarching framework through which livelihoods, especially in a rural context can be understood. Exploring the link between sustainable development, sustainable livelihoods and the informal economy involves an honest assessment of the extent to which the informal economy as a livelihood strategy does satisfy economic sustainability, environmental sustainability and social sustainability, and a careful rethink of how best to bring the informal economy to satisfy the three dimensions of sustainability mentioned above. The concept of sustainability lies at the nucleus of the theoretical framework in this study, which is the sustainable livelihoods approach. Through sustainability, one can be able to see the extent to which the informal economy provides adequate income for the unemployed in their efforts to fight poverty. The sustainable livelihoods approach (SLA) from which this study draws is built on the premise that people in constructing livelihoods do not depend on one livelihood strategy but on a portfolio of diversified strategies. However, as Loison (2015) points out, there are basically two paths to be followed by people when pursuing livelihoods. They either specialise on one livelihood strategy that may be informal economic participation. Alternatively, they may diversify across multiple livelihood strategies and in the process build a robust and resilient portfolio of diverse and varied strategies. This study, in its quest to understand the sustainable livelihood strategies of informal traders at Mount Frere in the Eastern Cape, thus, invariably takes into account the other livelihood strategies that informal traders of goods and services depend on apart from informal economic participation. Sustainability of livelihoods at Mount Frere can be evaluated, by and large, through assessment of the extent to which the five capital assets (financial, human, physical, social and natural) are enhanced through informal trading of products and services. The literature is replete with divergent views on sustainability of informal



trading as a livelihood strategy. On the one end are those who view the whole spectrum of informal traders, particularly in a rural setting as being made up of survivalists. On the other end are optimists who hold the view that informal trading may present a sustainable alternative to formal sector employment, provided effective strategies are devised to enable informal traders to transcend the structural constraints that militate against realization of sustainable livelihoods.

## **CHAPTER 4**

### **RESEARCH METHODOLOGY**

#### **4.1 INTRODUCTION**

This chapter considers the various methodological concepts and positions in an effort to arrive at the methodology that was considered to be the most suitable for application in this study, which aims to understand and analyse the sustainable livelihoods of informal traders at Mount Frere, Eastern Cape. This study was designed with the following objectives: to review theories, concepts and prior studies on informal traders around the world and in South Africa; to review theories, concepts and prior studies on sustainable livelihood strategies; to understand the characteristics of sustainable livelihood strategies of informal traders; to identify the various challenges or problems faced by informal traders; to identify the strategies adopted for coping with on-going crises as part of the empirical study; and to provide recommendations, based on the findings from the fieldwork, on how traders can accomplish a sustainable livelihood through their trade activities (theoretically and empirically).

#### **4.2 DEFINING METHODOLOGY**

Methodology is defined by Creswell (2003) as a strategy or plan of action that links methods to outcomes and guides the choice and use of methods (See also Crotty, 1998; Scotland, 2012). Methodology, however goes beyond description, to include an account of the rationale for the choice of methods (Crotty, 1998; Kothari, 2004). The methodological question is concerned about how a researcher can go about finding out whatever he or she believes can be known (Guba & Lincoln, 1994). As Guba and Lincoln (1994) argue, not any methodology is appropriate, and a researcher is to a large extent, guided by ontological and epistemological assumptions when choosing his or her methodology. As such, on the one hand, positivist researchers, with their assumptions of an objective reality, tend to use a quantitative methodology that is guided by the use of methods that are specifically designed to measure objective reality on the basis of hard data and incontrovertible facts; generating data from truly representative, randomly selected samples from which generalisations can be made to the larger

populations. On the other hand, the qualitative methodology, from which the interpretivist or constructivist research paradigm draws, stems from the view that “our knowledge of reality...is a social construction by human actors,” (Walsham, 2006: 320). It therefore follows that methods of data collection, analysis, interpretation and presentation should be tailored to the need to uncover processes, and understanding meaning from the respondents' own perspectives. In such a case, a methodology that takes contextual conditions into account (Creswell, 2003; Creswell, 2014) becomes paramount.

### **4.3 RESEARCH DESIGN**

A research design refers to the conceptual structure within which research would be conducted and serves as a blueprint for the collection, measurement and analysis of data (Kothari, 2004). As Kothari (2004) puts it, the research design answers questions of what, where, when, how much and by what means concerning a research study. Kothari goes on to state that “a design is the arrangement of conditions for collection and analysis of data in a manner that aims to combine relevance to the research purpose with economy in procedure,” (Kothari, 2004: 31). All aspects of the research design should, therefore, be both effective and efficient, while not losing sight of the aim and objectives of the research.

There are three types of research design, namely, the qualitative design, quantitative design and mixed methods design. Different research methods are suitable for the different types of designs. The choice of a research design or approach is guided by epistemological, ontological and methodological considerations, which together make up the research paradigm (Antwi & Hamza, 2015; Bryman, 2012; Creswell, 2003; Creswell; 2014; Crotty, 1998; Guba & Lincoln, 1994; Scotland, 2012; TerreBlanche & Durrheim, 1999). The three dimensions of the research paradigm (ontology, epistemology and methodology) represent underlying philosophical assumptions (epistemological, ontological and methodological) (Guba & Lincoln, 1994) that form the basis of our view and understanding of the world and nature of knowledge. Kuhn first used the term paradigm referring to “a conceptual framework,” or perspective through which scientists with shared interests could examine problems and find solutions (Antwi & Hamza, 2015: 217). Antwi and Hamza (2015), define a research paradigm, in short, as an approach to thinking about and doing research. The two main opposing paradigms, that is positivism and

constructivism also called constructionism or interpretivism (Bryman, 2012) mainly differ in terms of their epistemological, ontological and methodological assumptions, which, as Scotland (2012) argues, underpin the choice of a particular research design.

#### **4.3.1 Quantitative research design**

According to Bryman (2012), the quantitative design or quantitative approach is characterised by a positivist epistemological orientation and objectivist ontological orientation. The quantitative approach is deductive in nature, that is, it is aimed at testing of theory (Bryman, 2012). A quantitative approach is one in which the investigator primarily uses positivist claims for developing knowledge and embraces the following aspects:

- Seeks to establish cause and effect linkages with the aim to generalise from findings.
- reduces knowledge to specific variables, hypotheses and questions.
- uses measurement and observation.
- Applies the deductive approach, that is concerned with testing of theories.
- makes use of strategies such as surveys that yield statistical data in the form of numbers (Creswell, 2003; Creswell; 2014).

Moreover, quantitative researchers assume objectivity, strive to maintain a stance that is detached and value-free and favour a design of data collection, analysis and presentation of statistical results represented by numerical or statistical data (Antwi & Hamza, 2015). Quantitative research designs include experimental designs and cross-sectional designs including surveys (Bryman, 2012).

#### **4.3.2 Qualitative research design**

The qualitative approach is characterised by an interpretivist epistemological orientation and a constructionist ontological orientation (Bryman, 2012). The qualitative design is inductive, that is it is aimed at generation of theory (Bryman, 2012). A qualitative approach is one in which the inquirer often makes knowledge claims based primarily on constructivist perspectives, which emphasise the following:

- divergence of meanings and personal experiences.
- importance of social and historical context in which meaning is created.
- use of strategies of inquiry such as case studies which collect rich deep data (Creswell, 2003; Creswell, 2014).

Furthermore, qualitative researchers content that “reality is socially constructed,” collect, analyse, interpret and “present data as descriptive narration with words,” (Antwi & Hamza, 2015: 221). Examples of qualitative designs are case studies and longitudinal designs (Bryman, 2012).

Stakes (1995), differentiates the qualitative and quantitative approach on the basis of three aspects:

- in qualitative research the role of the researcher is personal and in quantitative research the role of the researcher is impersonal;
- explanation is the purpose of qualitative inquiry and understanding is the purpose of quantitative inquiry;
- in quantitative research knowledge is discovered while in qualitative research knowledge is constructed.

#### **4.3.3 Mixed methods research design**

The third type of research approach, and one that is followed in this study, is the mixed methods research design. It involves a mixture of qualitative and quantitative methods in one research (Bryman, 2012; Crotty, 1998; Kothari, 2004). Creswell (2014) argues against viewing qualitative and quantitative research approaches as dichotomies, advising that they should rather be viewed as representing different ends of a continuum, in the middle of which the mixed methods approach resides. Mixed methods research includes both quantitative research aimed at assessing the frequency of constructs or variables as well as “qualitative research exploring the meaning and understanding of constructs,” (Creswell, Klassen, Plano Clark & Smith, 2011: 4). It uses multiple methods (qualitative and quantitative) that are purposefully combined in order for their respective strengths to complement each other (Creswell et.al., 2011). Sale, Lohfield and Brazil (2002) differentiate the rationale for combining quantitative and qualitative methods

in a single study as being either to achieve cross-validation or triangulation, or to achieve complementary results. The argument for the former position is that research methods are interdependent (combinant) (Sale, et.al., 2002) and as such any variance noted in the results generated by the different methods in a single study should be attributed to the underlying phenomenon rather than being attributed to the methods themselves (Johnson, Onwuegbuzie & Turner, 2007). This study uses the explanatory sequential mixed methods design.

#### **4.3.4 Rationale for using the explanatory sequential mixed methods design in this study**

The rationale for adopting a mixed methods approach in this study is that in attempting to gain a full understanding of the sustainable livelihood strategies of informal traders, a combination of qualitative and quantitative approaches and data will bring about a more comprehensive understanding (Johnson et al., 2007).

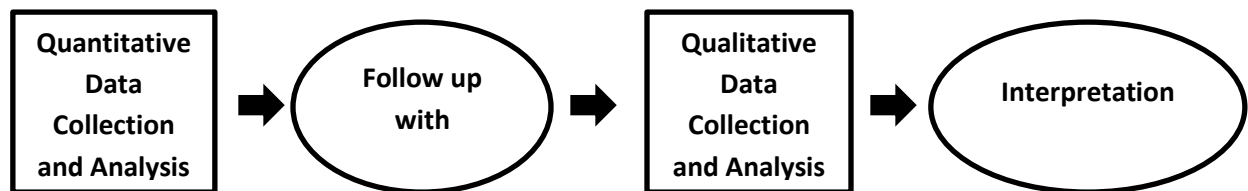
In the explanatory sequential mixed methods design followed in this study, quantitative data is collected first, followed by collection of qualitative data (Creswell & Plano Clark, 2011; Subedi, 2016), which complements, explains and extends the quantitative data (Sale et al., 2002). The reason for using both quantitative and qualitative methods in this study is that the former is good at achieving breadth in the study (since it allows the covering of a large sample of informal traders in Mount Frere) while the latter is good at achieving depth and, therefore, combining both will result in findings that are more likely to reflect the actual reality of the sustainable livelihood strategies of informal traders in Mount Frere. The quantitative dimension is good at providing the general picture regarding the issues being studied. However, used on its own, a quantitative study will not result in the in-depth understanding of the sustainable livelihood strategies of informal traders, since the questionnaire that is used as the quantitative data collection tool will comprise of closed questions that do not allow the research to delve deep into the topic under study. On the other hand, the use of a purely qualitative approach would not generate results that reflect a comprehensive account of the true nature of the issues under study since the 'broad general picture' would be missing, hence the need for a sequential mixed methods approach in which the quantitative element precedes the qualitative element, and paints that broad picture. The quantitative component of the study will, therefore, provide the general picture, while the qualitative component will build on, complement, extend, qualify, explain and elaborate on the

quantitative findings.

#### 4.3.5 Sequence, Purpose and Priority of the Quantitative/Qualitative components

In combining quantitative and qualitative research methods in a single study, careful consideration needs to be given to the decision on the following three aspects: **the role or purpose** that the qualitative and quantitative components will play in the study; **the priority**, that is whether one method will be considered to be the principal method, or they will be accorded equal weight; and **the sequence**, that is whether one method will precede the other or whether the methods will be used concurrently (Bryman, 2012; Subedi, 2016). In this explanatory sequential mixed methods design, quantitative data was first collected from 125 respondents by way of the questionnaire method. Subsequent to that, qualitative data was collected through semi-structured interviewing of a select twenty cases from the sample for which quantitative data had already been collected. The process followed in the execution of this explanatory sequential mixed methods research study can be diagrammatically presented as shown below:

**Figure 4.1: Process of the explanatory sequential mixed methods study**



Source: Subedi, 2016

The purpose of the quantitative component in this study goes well beyond providing demographic data to include quantification of all the variables covered in the study. This is done with the intention to provide the reader with an adequate appreciation of the overall picture as well as the frequency of all the variables of the sustainable livelihood strategies of informal traders in Mount Frere. Although the quantitative component is executed first, that should not be misconstrued as meaning that it is more important than the qualitative component as it is actually the latter that is accorded more weight in this study, hence the emphasis on trustworthiness of the

findings as discussed in **subsection 4.5**.

#### **4.4 CASE STUDY**

The research design adopted in this study is that of the case study, which was applied within the mixed methods research design. The choice of the design was mainly influenced by the nature and focus of the research. Although quantification is important in a study of this nature to give a descriptive statistical picture of the issues at stake, the issue of livelihood strategies, deep-rooted in the concept of poverty, is a dynamic issue that cannot be pinned down by the use of standardised strategies of inquiry that are based entirely on the use of quantitative methods. To quote Chambers (1995), strategies of the poor are rarely fully revealed by conventional questionnaire surveys (that the quantitative approach mainly uses). Use of mixed methods with a qualitative bias allows the researcher to capture the processes that guide people's choice of livelihood strategies as well as processes that lead to sustainability, simply understood as either a success or failure of a livelihood strategy.

As Flyvberg (2011) puts it, a case study is meant to be a holistic and 'intensive analysis' of a chosen unit. Case studies are not necessarily meant to prove anything, but to allow the researcher to learn something (Flyvberg, 2011). In this study the case study allows the researcher to learn about the livelihood strategies of informal traders in Mount Frere. According to Yin (2004), the case study is suitable in a situation where the research addresses descriptive or explanatory questions and aims to produce a first-hand, close, in-depth understanding of people and events. Stake (1995) is in support of this point of view and is of the opinion that the case study method is quite useful where the researcher seeks to obtain descriptions as well as interpretations of others, that is the respondents. It is particularly suitable in a situation when:

- contextual conditions need to be taken into account due to their relevance to the phenomenon being studied.
- the research seeks to answer how and why questions.
- the researcher cannot manipulate the behaviour of the respondents.
- the distinction between phenomenon and context is not clear (Yin, 1994).



The strength of the case study design is its ability to examine, in-depth a “case” within its “real-life” context (Yin, 2004: 1), thus the researcher would not rely solely on derived data, for example from responses to questionnaires. The case study design adopted in this study is informed by 'the basic steps in designing case studies' laid out by Yin (2004).

#### **4.4.1 Entering the field site**

##### ***4.4.1a Description of the Context (Study Area)***

Mount Frere is a rural town in the Eastern Cape Province, in the ‘homeland’ that was formerly known as Transkei during the era of apartheid. It is located in the Umzimvubu local municipality, which falls under the greater Alfred Ndzo District municipality. The area is populated by Xhosa-speaking people in keeping with the Group Areas Act of 1951 which subdivided blacks according to ethnic groups and relegated them to the 'homelands' (Hadju, 2006). A national road route, the N2, that connects Cape Town to Durban cuts through the town at about 320 km from East London and about 360 km from Durban. The town is situated at a distance of about 80km from the KwaZulu Natal border with the Eastern Cape Province. Immediate, relatively bigger towns on either side of Mount Frere, along the N2 route are Mthatha and Kokstad, (both at a distance of about 100km from Mount Frere), towards East London and Durban respectively. The area is mountainous and wet during the larger part of the year. From the N2 on the immediate either side of the town one can see homesteads that are surrounded by small garden plots, which leaves one with the impression that there is not much agricultural activity as a livelihood strategy in the area. Mount Frere is in the midst of rural areas that are characterised by abject poverty. Jobs in the locality and in the immediate relatively bigger towns (Mthatha and Kokstad) are mainly in the service sector including education and other government departments and in retail, both formal and informal. Besides the predominantly IsiXhosa speaking South Africans who populate areas around Mount Frere, the town has also become a destination of choice for immigrants from countries such as Tanzania, Pakistan, Ghana, Nigeria, Kenya, Senegal, Ethiopia and Zimbabwe. Although there is outward migration whereby a majority of the youth from Mount Frere migrate to the bigger cities like Durban, East London, Johannesburg, Cape Town and Pretoria in search of jobs after leaving school, either before or after completing matric, the population within the town is growing as a

result of inward migration from surrounding rural areas and from abroad. Traditionally, immigrants that came to South Africa headed for the economic hub of Johannesburg and other bigger cities. The bigger cities have become too congested and can no longer offer much in the form of jobs to new entrants.

Mount Frere is a typical example of a rural town that is growing at a fast rate as evidenced by a shopping complex that was opened in 2013 and a shopping mall that was opened recently, in 2017. The formal commercial and service entities in Mount Frere are presented in the table below (Table 4.1). All the commercial and service entities within the town are neatly lined up on either side of the 1 to 2km stretch of the N2 which is, so to speak, the only street along which all the commercial activity, including informal activity, in the town can be found.

**Table 4.1: Formal commercial and service entities in Mount Frere**

<b>Financial Services (Banks)</b>	<b>Chain fast-food outlets</b>	<b>Chain supermarkets</b>	<b>Chain retail clothing stores</b>	<b>Hardware stores</b>	<b>Wholesalers</b>	<b>Service stations</b>	<b>Furniture shops</b>	<b>Bed and Breakfast facilities</b>
Nedbank; First National Bank; Standard Bank; Capitec Bank; ABSA	KFC (2); Zebros; Hungry Lion	Spar (2); Shoprite (2); Rhino; Boxer; Spargs	Pep stores (2); Ideals; Jet; Ackermans; Jumbo	9	12	4	6	4

Source: Own compilation based on the research in Mount Frere

Besides the well-known large businesses captured in Table 4.1 above, a litany of other businesses manifests itself in every corner of the small town. The other smaller businesses that the researcher identified are captured in Table 5.1 in the next chapter.

The town of Mount Frere is a hive of activity throughout the week, although Sundays are

relatively slower, in terms of business, when compared to the other six days of the week. At about 6 o'clock in the morning human traffic starts to trickle into town and is evident at service points like banks and the municipality where clients start to line-up waiting for the businesses to open. By 12 noon traffic on the N2 will be bumper-to-bumper, reflective of the congestion in town. There are three residential areas in Mount Frere. These are Lubacweni, Madibanisa and Sophia. All three are within walkable distances from town. Adjacent to Sophia is a sprawling informal settlement of shacks and temporary housing structures made of wooden and zinc material. Some of the informal traders live in the residential areas described above, while others live in the surrounding rural villages, which are further from town.

Prior to fieldwork the researcher had intended to engage a Xhosa-speaking research assistant considering that the research was conducted in the Eastern Cape Province, where Xhosa happens to be the dominant official language. This prospect was weighed against the drawback, that is, the financial cost and the amount of time it would take to familiarise the assistant with the purpose of the research. It was in view of these considerations that it was ultimately decided that the researcher would conduct the research entirely on his own, with regard to informal traders who operate within the central business district. The intelligence of informants was, however, sought to build a snowball sample of mobile traders who sell their products and services outside of town. Upon entering the field site the first challenge was establishing rapport with the respondents. This turned out to be not as difficult as had been anticipated prior to the research. Perhaps this owes to the fact that although the researcher was returning to Mount Frere specifically for data collection, the research site did not constitute a wholly unfamiliar territory to him considering that when the whole study was conceptualised the researcher was residing in the area. This worked to the researcher's advantage as during his period of residency in Mount Frere the researcher had managed to immerse himself into the language and way of life in the area. It is particularly in light of this, and the fact that most of the potential respondents spoke either Xhosa, English or Shona, all of which languages the researcher is conversant in, that made him later to decide against engaging a research assistant.

#### **4.4.2 Population of the study**

A population, alternatively known as a universe, refers to all items in any field of inquiry

(Kothari, 2004). The listing of all units in the population from which the sample is selected is called a sampling frame (Bryman, 2012). This study seeks to understand the livelihood strategies of informal traders in Mount Frere. The “case” in the context of the study is the population of informal traders of goods and services in Mount Frere. The population is divided into two types of traders. On the one hand, there are those who live within the small town, but go out to sell their goods and services in the villages and residential areas around the town of Mount Frere (mobile informal traders). On the other hand, there are those that sell their products and services within the confines of the town, mainly on street pavements and also in make-shift structures (CBD informal traders). The main 'street' along which informal activities are concentrated happens to be the N2 that cuts through the town. During preliminary investigations prior to the study the researcher observed an interesting pattern, that those who live within the small town and sell their goods and services in the villages around Mount Frere are people of foreign origin, specifically from Zimbabwe and Ethiopia. The researcher also became acquainted with the fact that the informal traders that operate within town are of mixed nationalities that include South Africans, mainly Xhosa-speaking. These mainly live in the rural areas around the small town and travel into the small town to sell their goods on a daily basis. In summary, the population or the “case” is made up of informal traders that sell their goods and services in town and outside of town.

#### **4.4.3 Sampling technique and design**

According to Kothari (2004), a sample design is a definite plan for obtaining a sample from a given population. “It refers to the technique or the procedure the researcher would adopt in selecting items for the sample,” (Kothari, 2004: 55). There are two types of sampling, namely, probability sampling and non-probability sampling (Bryman, 2012). A probability sample is “a sample that has been selected using random selection so that each unit in the population has a known chance of being selected,” (Bryman, 2012: 187). A randomly selected sample allows for findings generated from the study to be generalised to the population from which the sample is drawn. A non-probability sample is “a sample that has not been selected using a random selection method,” (Bryman, 2012: 187). Results from such a sample cannot be generalised to the population from which the sample is drawn since the sample will not be representative of the population from which it is drawn. A probability sample is often preferred as it is said to

produce more valid and reliable findings. However, in some cases it may not be practical to generate a probability sample.

In this study the researcher sought to understand the sustainable livelihood strategies of informal traders in Mount Frere. Due to limitations of resources, especially in terms of time and money, and also considering that it is impossible to know precisely how many informal traders there are, a total sample of 125 respondents was drawn from the population of informal traders to participate in the study. The sample was split into two as follows:

$$100 \text{ CBD informal traders} + 25 \text{ mobile traders} = 125$$

Judgement sampling (Blandford, 2013), alternatively known as purposive non-random sampling (Kothari, 2004), which is a form of non-probability sampling was used to select informal traders that operate within town. This type of sampling is defined as the deliberate selection of particular units that are most suitable to answer the research questions (Blandford, 2013; Kothari, 2004). The researcher employed the maximum variation technique in order to ‘maximise diversity’ (Hancock, Ockleford & Windridge, 2009) in the sample. Snowball sampling, which is a form of non-probability sampling (Bryman, 2012) was used to select mobile informal traders.

The researcher decided that snowball sampling was the most feasible and appropriate sampling technique in selecting mobile informal traders. The researcher got initial access to two mobile traders who became ‘informants’ and led to other potential respondents. The use of informants in a case study is underlined by several writers (Fontana & Frey, 1994; Shenton, 2004). The use of such informants proved to be advantageous as it saved the researcher a great deal of time. A total of 25 respondents were selected and studied from the traders who sell their goods and services outside town. These were initially requested to complete questionnaires, prior to follow-up in-depth interviews with a select few.

Purposive or judgement sampling was used to select, initially, 90 respondents from among informal traders who sell their goods and services within the town of Mount Frere. 10 respondents were later added to reach the desired 100 respondents for this type of informal

traders, all of whom were initially requested to complete questionnaires, prior to follow-up in-depth interviews with a select few. The researcher started by creating a sampling frame. The steps that were taken to create a sampling frame are detailed below:

- *Step 1:* The researcher identified the various informal business activities in Mount Frere. This included those trading in products and those trading in services. A total of 635 informal businesses were counted. The researcher asked the business owners if they were registered for tax, in order to establish whether the businesses fitted into the category of informal businesses.
- *Step 2:* The researcher classified the identified informal economic activities into categories.
- *Step 3:* The researcher physically counted the number of informal trading activities that fall within each of the identified categories. This exercise required the researcher to repeatedly walk back and forth and up and down the whole stretch of the N2 in the town of Mount Frere.
- *Step 4:* The researcher combined some types of informal activities to minimise the resultant number of categories. For example, those engaged in activities of a technical nature, such as vehicle repair technicians, fridge, electronic goods repair technicians, furniture repairers and welders were grouped together under skilled trades.
- *Step 5:* The researcher attempted to systematise the selection of respondents from all the business categories to ensure that they were all proportionately represented in the sample.
- *Step 6:* The maximum variation technique was employed to ensure that all categories were proportionately represented in the sample. That is business categories with a high number of participants were to be accorded a larger representation in the sample.

The numbers of the various categories of informal business types in Mount Frere and the selected samples are shown in Table 5.1 in the next chapter on findings (Chapter 5).

#### **4.4.4 Pre-testing the research instrument**

According to Practical Tools for International Development (Tools4dev) (2014), pre-testing is

done to identify questions that participants may not understand so that the researcher may know where improvements need to be made on the research instrument regarding the wording or the flow of questions. The basic principles of pretesting are that it should be carried out with a small sample drawn from the target population and should take the form that the actual data collection will take (Tools4dev, 2014). Pretesting differs from a pilot study in that, while the former focuses on the actual research instrument or the research questions, using a small sample (five to ten individuals), the latter is carried out on a relatively larger sample and focuses on all the steps of the research design covering data collection and analysis (Tools4dev, 2014). Before starting the actual data collection the researcher pre-tested the questionnaire on a trial sample of five respondents and the semi-structured interview on a trial sample of three respondents to figure out if any adjustments needed to be made to the data collection instruments. Since the target population for this study are informal traders in Mount Frere in the Eastern Cape and the researcher resides in Cape Town, it was not feasible to travel to the Eastern Cape just to pre-test the questionnaire and semi-structured interview schedule. As such, the researcher thought it necessary to select individuals who are close enough to the target population. To that end the questionnaire was pretested on five informal traders and the semi-structured interview schedule was pretested on three informal traders in Cape Town. The five questionnaires completed and the three interviews carried out during this process were not considered for analysis.

The pre-test revealed some minor complications with the questionnaires and semi-structured interview. Pre-test respondents indicated that questions were understandable and straightforward and needed no further clarity. They however, had reservations regarding the length of the questionnaire and interview schedule, which they felt were too long. To overcome the problem the researcher made some minor adjustments by taking out some seemingly redundant questions, especially on demographic profiling, leaving only those that were meant to capture valuable information and pointedly addressed the key issues of the study.

#### **4.4.5 Data Collection**

Primary and secondary data was collected in this study. Primary data was collected through the questionnaire and semi-structured interview, while secondary data was collected through an extensive review of the relevant literature.

The semi-structured interview was used alongside the questionnaire for data collection. The decision to come up with a design in which the questionnaire and semi-structured interview complement each other was made with a view to have findings generated from the latter tool explain, expand and shed light on the general picture painted by findings generated through the former. This, it was understood, would increase the depth and robustness of the results. It is the researcher's view that understanding the sustainable livelihood strategies of informal traders can be more fully understood by in-depth study of the situation. The decision to use mixed methods is, therefore, by and large driven by the desire to benefit from the intensiveness or depth that the semi-structured interview approach affords and the ability to cover a larger sample, that is, the breadth, that the questionnaire offers.

Regarding these considerations, it was decided that the role of the questionnaire would be to profile respondents, as well as provide frequencies on all the variables of the study as indicated in the questionnaire, Appendix 1, while the semi-structured interview would be used to explain the findings generated through the questionnaire. Accordingly, the semi-structured interview was used to explain and illustrate findings reflected in the questionnaire responses so as to bring together a more complete account (Bryman, 2012) of the livelihood strategies of informal traders in Mount Frere. To this end a select of illuminating cases were used to build on the findings generated through the questionnaire.

#### ***4.4.5a Literature review***

The purpose of the literature review was to collect data on the concepts, theories and methodological underpinnings of the study. The literature review covers published books, journal articles and other Internet sources. The prescribed study material for the Masters in Development Studies programme was quite useful as a starting point, which enabled the researcher to build the broad conceptual and theoretical foundations of the study. Every attempt was made to gain insights into the trends regarding livelihood strategies and the informal economy through perusal of the latest published material relevant to this study. Some of the material, especially in the form of journal articles and electronic databases was accessed from the University of Free State library. Empirical literature that includes masters' and doctoral theses



and dissertations were consulted as a way of understanding how similar studies were conducted and also to get a pool of previous findings on livelihood strategies and the informal economy to which findings from the current study could be related and compared. The literature review is organised according to the major concepts and objectives of the study. Scanning the relevant literature also helped in answering the following theoretical objectives of the study:

- To review theories, concepts and prior studies on informal traders around the world and in South Africa.
- To review theories, concepts and prior studies on the livelihood strategy.
- To understand the character of livelihood strategies of informal traders.
- To identify the various challenges or problems faced by them.

The information gleaned from the literature review also helped in the design of the primary data collection methods, which are the questionnaire and interview schedule.

#### ***4.4.5b Questionnaire***

Initially, the questionnaire as a data collection tool was used to collect quantitative data from all 125 respondents (consisting of 100 CBD informal traders and 25 mobile ‘village’ traders. Questionnaires were administered to a sample of respondents who had time to complete these. In a few cases in which a respondent was willing to take part in the study but expressed concern that filling in the questionnaire would eat into the time that should otherwise be used to serve customers, the researcher then read out the questions, exactly as they appeared on the questionnaire, as well as the options from which the respondents were required to select their responses. This was done in order to ensure that completion of questionnaires did not result in disrupting the flow of informal traders’ activities as it was done while they went about their work. The responses that the respondents chose were then indicated on the questionnaires. It is important to note that the researcher filled in the questionnaires for respondents only in those few cases where the latter indicated that they would otherwise not have time to complete the questionnaires on their own or had difficulty understanding the questions and completing them on their own. The approach used by the researcher greatly minimised the risk of missing data that occurs when questionnaires are partially completed (Bryman, 2012) as by being present it was easy for the researcher to ascertain that all the questions were answered. Being present when the questionnaires are completed is also very advantageous in that it eliminates intrusion of

non-respondents (Bryman, 2012) as the researcher would really know who answers the questions. In the majority of cases, however, questionnaires were left behind with the respondents so that they could complete them at their own convenience and later picked up by the researcher at appointed times.

The researcher was aware that the use of the questionnaire alone would result in missing out valuable data, pertaining to the study that the interview method stands in a better position to capture, hence the decision to use the two data collection methods sequentially, with the semi-structured interview used as a follow-up with respondents who had already completed the questionnaire. It was the view of the researcher that the use of the questionnaire and semi-structured interview in a complementary fashion would result in a rich, deep understanding of the sustainable livelihood strategies of informal traders in Mount Frere.

**Questionnaire design and content:** The questionnaire was designed mainly in accordance with the sustainable livelihoods theoretical framework as well as concepts on the informal economy. The questions were made to address the objectives of the study directly. In designing the questionnaire the researcher also consulted research instruments that were used by previous researchers (Chirau, 2012; Narayan, 2011; Saunyama, 2013) to get insight into how they dealt with similar issues. The questionnaire used in this study made use of closed questions that required the respondent to choose the appropriate answer from a list of choices provided. The answers were pre-coded to make analysis easy. The questionnaire generated mainly quantitative data. The questionnaire was divided into seven sections as follows:

**Section I:** Captured the background or biographical information of the respondent. Information captured in this section included gender, educational level and employment history. Such information is important in understanding factors that drive people into the informal economy as a livelihood strategy. This helped in, for instance, confirming or falsifying the hypothesis that states that people engage in informal activities as a result of their low levels of education and the inability of the formal sector to accommodate them. **Section II:** Captured information on the resources available to informal traders. This includes the financial, human, physical and social capitals that either push or pull individuals or households into the informal economy.

**Section III:** Explored the challenges that face informal traders.

**Section IV:** Captured the coping strategies they adopt to absorb the adverse impact of these challenges.

**Section V:** Attempted to link the overriding concept of sustainability of livelihoods to informal trading through investigation of human, financial, physical and social capital accumulation from an objective perspective. This is in keeping with the fact that only through sustainable livelihoods can poverty be eradicated.

**Section VI:** Captured respondents' own perceptions regarding improvement, or otherwise, of their living standards as a result of informal economic participation. Soliciting of respondents' own perceptions is particularly important considering that people have wide, varied and different perceptions of poverty and a desirable living.

**Section VII:** Explored the issue of other livelihood strategies, if any, that informal traders engage in. This section is premised on the understanding that there are two contesting viewpoints regarding livelihood strategies that is livelihood diversification and livelihood specialisation.

**Section VIII:** Based on the presupposition that livelihoods, including informal trading, are dependent on support from government or development partners, the section sought to capture issues around support that informal traders currently get from government or elsewhere, as well as trying to understand how best they think they can be assisted. The issue of institutions (policies and laws) and organisations was explored across sections of the questionnaire, especially in **sections 3 and 7** where the impact of laws and policies on livelihoods in general and on informal trading in particular was explored.

#### ***4.4.5c Semi-structured interviewing***

Interviews are one of the major data collection methods used in case study research (Bryman, 2012). Interviews, which can be structured, semi-structured or unstructured generate primary data. A clear distinction between structured and unstructured interviewing is elucidated in the quotation below:

The former aims at capturing precise data of a codable nature in order to explain behaviour within pre-established categories, whereas the latter is used in an attempt to understand the complex behaviour of members of society without imposing any a priori

categorization that may limit the field of inquiry (Fontana & Frey, 1994: 366).

As Bryman (2012: 469) rightly states, “structured” and “unstructured” simply represent extremes, but “in practice a wide range of interviews with differing degrees of structure lie between the extremes.” Bryman (2012) identifies two main types of interview used to generate qualitative data as the unstructured and semi-structured interviews. In this study the interview took the semi-structured format consisting of what Fontana and Frey (1994: 361) describe as “individual, face-to-face verbal interchange.” While appreciating the need for the breadth that the ‘unstructured’ interview offers (Fontana & Frey, 1994), it is the researcher’s view that this has to be balanced against the more important need to keep the study within the confines set by the aim and objectives, hence the decision to use the semi-structured interview. The semi-structured interview offered the benefit of structure (that kept the study from straying from the aim and set objectives), at the same time enabling the researcher to avoid being strictly confined by 'structure' from delving deep into the issues the research was aimed at uncovering.

From the 125 cases in the study the researcher selected 20 cases for which, in addition to quantitative data captured in questionnaires, qualitative data was also collected during the semi-structured interviews, by use of open questions, in order to get more insight into the responses that were supplied by respondents. The qualitative data was acquired by way of probing and prompting the selected 20 respondents so that they could explain their responses. This qualitative data explained, clarified and qualified the responses already supplied to the closed questions contained in the questionnaire.

Most of the respondents were enthusiastic, willing to talk about their livelihood strategies and the researcher had to occasionally steer the interchange to ensure that it did not deviate from the issues on the semi-structured interview schedule. Interviews were conducted in three languages in which the researcher is conversant, which are English, IsiXhosa and Shona. Interviews were periodically interrupted by serving of customers and attending to various duties by the respondent, but on average each session lasted between 40 to 50 minutes. If the respondent of a selected business happened to be an employee and not the owner of the business, these were also interviewed if they were willing as it is widely recognised in the literature (ACCA, 2017; Becker,

2004; Chen, 2012; ILO, 2016; Sparks & Barnett, 2010) that besides being a source of self-employment, the informal economy is also a source of paid informal employment).

Different researchers use different methods of capturing data from interviews. The most commonly used methods are audio-recording and note-taking (Stakes, 1995; Walsham, 2006). Audio-taping is valuable as it enables the interviewee to capture the exact words said, which come in handy when using direct quotes when reporting and presenting findings. However, in this study, note-taking was preferred to audio-taping due to the following reasons:

- Audio-taping may make interviewee less open and less truthful (Walsham, 2006)
- Audio-recording may annoy respondents (Stakes, 1995).

Due to the reasons cited above, the researcher depended on taking shorthand notes and preparing a summary and “interpretive commentary” (Stakes, 1995: 66) of the qualitative data immediately following each interview session. Using more than one method frees the researcher from what Yin (2004: 11) terms a “narrow evidentiary base.” Mixing of methods also follows the realisation that all methods have limitations and that shortcomings in any single method could be neutralized or cancelled by the relative strengths of other methods (Creswell, 2003; Creswell, 2014). It is in light of these views that the researcher made a decision to use two data collection methods, the questionnaire and the semi-structured interview, sequentially in this study.

#### **4.4.6 Data Analysis**

Data analysis “is concerned with reducing the large corpus of information that the researcher has gathered so that he or she can make sense of it,” (Bryman, 2012: 13). Case study evidence generated in this study includes both quantitative and qualitative data, that is, numeric and non-numeric data (Yin, 2004), and these two data types are amenable to different analysis techniques. This study yielded data both in the form of numbers and words. This research is aimed at answering research questions posed in the form of objectives. As such the techniques for analysing the data were directed at those objectives first. Findings were linked to the literature, aim and objectives of the study as well as to the theoretical framework.

#### ***4.4.6a Quantitative data analysis***

The three main steps in data analysis identified by Vithal and Jansen (2010: 27) are: scanning the data to see if it is complete; organising the data; and representing the data for example in the form of tables and diagrams. The data that was collected in this study through questionnaires was of a quantitative nature. Quantitative data was subjected to statistical analysis. Microsoft Excel was used for data analysis. After data had been checked for completeness, codes representing responses to all the questions in the questionnaires were entered into spreadsheet cells in the computer. Frequencies were counted and a calculator was used to calculate percentages for the different variables in the questionnaire.

#### ***4.4.66 Qualitative data analysis***

Qualitative data analysis took the form of content analysis, which according to Bryman (2012) is a way of analysing data or content in a systematic way by slotting it into predetermined categories, and the process may be underpinned by theoretical ideas. In this study content analysis is underpinned by the sustainable livelihoods theory. One advantage of content analysis is that the systematicness of the process eliminates bias as the researcher may not impose their preferences on the data or content and, owing to its transparency, the process can also be replicated by any other interested parties (Bryman, 2012). According to Shenton (2004), in a research study, particularly a qualitative one, analysis of data starts from the field, not after data has been collected. This rings true especially where the interview method is used as a data collection method, where there is need for the investigator to analyse his or her notes frequently to identify any emerging patterns while the information collected from the interview is still fresh in mind (Fontana & Frey, 1994). All the raw data, in the form of extensive notes compiled during interview sessions, was managed to detect any flaws. It was classified and put into categories that correspond with concepts of the theoretical framework, the Sustainable Livelihoods Framework (SLF), to make it meaningful. The process of analysis involved a search for connections between the raw data and the SLF concepts. Tentative conclusions (Stakes, 1995) were drawn based on the observed connections.

**Table 4.2: Measurement techniques**

Objective/ Question	Construct	Variables	Data Source	Data/Question	Data Analysis
<p><b>Objective 1:</b> To review prior studies on informal traders around the world and in South Africa</p>	<p>Informal Economy Informal Trading</p>	<p>Survivalist Entrepreneurial Informal Economy theories/ concepts Empirical Studies on the informal economy</p>	<p>Literature review (books, journal articles, reports, theses, Other Internet sources)</p>	<p>Did respondent engage in informal trading out of necessity or to exploit a business opportunity?  What are the theoretical and conceptual positions on the informal economy and informal trading documented in the literature?  What do previous empirical studies on the informal economy and informal trading reveal?</p>	<p>Theoretical (Informal Economy) Conceptual (Informal Economy)</p>
<p><b>Objective 2:</b> To review prior studies on the livelihood strategy</p>	<p>Livelihood Strategies</p>	<p>Informal Economy  Other livelihood strategies (Farming; State transfers; Social capital; including remittances)</p>	<p>Literature review (books, journal articles, reports, theses, Other Internet sources)</p>	<p>What are the theoretical and conceptual positions on livelihood strategies documented in the literature?  What do previous empirical studies on livelihoods reveal?</p>	<p>Theoretical (SLF) Conceptual (SLF)</p>
<p><b>Objective 3:</b> To understand the character of livelihood strategies of informal traders</p>	<p>Informal trading (Specialisation) Alternative livelihood strategies (Diversification)</p>	<p>Other livelihood strategies (Farming; State transfers; Social capital; including remittances)</p>	<p>Semi-structured interview  Self-completion questionnaire  Observation</p>	<p>Besides informal trading is the respondent involved in other livelihood strategies or income generating activities?</p>	<p>Descriptive Statistics SLF</p>

<p><b>Objective 4:</b> To identify the various challenges or problems faced by them</p>	Challenges	Social and economic	Self-completion questionnaire  Semi-structured Interview	“Do you always have enough money to purchase stocks, access to credit?”	Descriptive Statistics  SLF
		Operational	Self-completion questionnaire  Semi-structured Interview  Observation	“Which one is the major problem you face between transport, competition with other traders, crime, bad roads, lack of permanent trading site, and lack of protection from bad weather?”	Descriptive Statistics  SLF
		Political conditions and policies	Self-completion questionnaire  Semi-structured Interview  Observation	“Do you pay any fees to the municipality?”  Do you ever experience harassment by municipal authorities or police?	Descriptive Statistics  SLF



		Combined social, economic, political, operational and policies	Self-completion questionnaire Semi-structured Interview Observation	“Mention 5 difficulties that you come across in your work”	Descriptive Statistics SLF
<b>Objective 5:</b> To examine the strategies adopted for coping with on-going crises	Coping strategies	Social, economic and operational strategies, for example Social capital networks	Self-completion questionnaire Semi-structured Interview Observation	“Do you at times reduce prices of your products or services or start work early and finish late in order to try and beat your competitors?”	Descriptive Statistics SLF
<b>Objective 6:</b> To provide recommendations, based on the findings from the fieldwork, on how traders can accomplish a sustainable livelihood through their trade activities (theoretical and empirical objective)	Recommendations	Political/ Policy Social Economic Operational	Self-completion questionnaire Semi-structured Interview Observation Literature review	Report of any assistance from social networks in times of stress	Theoretical (Informal Economy, SLF) Conceptual (Informal Economy, SLF)

Choices in the measurement map outlined above informed by Bryman (2012).

#### 4.4.7 Reporting and presentation

Quantitative data is presented in the form of tables and figures (graphs and pie-charts). Qualitative data is presented in the form of descriptive narration. Findings are reported with sufficient clarity to allow the reader to judge independently (Yin, 2004) the investigator's interpretation of the data. Vignettes, special testimonies (Stakes, 1995) are selected and used to illustrate findings. Quotations from interviews (Yin, 2004) are also thrown in to illuminate key aspects of findings. Creswell et al. (2011) identify three approaches to integrating the resultant different forms of data in mixed methods research, namely; merging; connecting; and embedding

data. Quantitative and qualitative data is merged in this study by way of “reporting first the quantitative, statistical results followed by qualitative quotes,” that confirm or disagree with the quantitative results (Creswell et al., 2011:5) as well as expanding on and explaining the quantitative findings (Sale et al., 2002).

#### **4.5 TRUSTWORTHINESS VERSUS VALIDITY AND RELIABILITY**

Researchers, particularly quantitative ones, are very much concerned about issues of reliability and validity as ultimately these are the measures used to judge the quality of research output. Bryman (2012) defines reliability as the degree to which a measure of a concept is stable and validity as a concern with the integrity of the conclusions that are generated from a piece of research (Bryman, 2012). As Brink (1993) clearly states, validity is concerned with the accuracy and truthfulness of scientific findings. Both reliability and validity are concerns in quantitative research Bryman (2012). Qualitative researchers argue that qualitative research should be evaluated on the basis of trustworthiness of the research using qualitative criteria of credibility, transferability, dependability and confirmability (Bryman, 2012; Lincoln & Guba, 1985; Merriam, 1995; Shenton, 2004). These suggested criteria are argued by qualitative researchers to parallel quantitative criteria of internal validity, external validity, reliability and objectivity (Bryman, 2012; Lincoln & Guba, 1985; Shenton, 2004). The following steps will be taken to ensure trustworthiness of findings to be generated from this ‘qualitative-dominant,’ explanatory sequential mixed methods study.

**4.5.1 Credibility:** Quantitative researchers are concerned with internal validity, in which they seek to ensure that their study measures or tests what is actually intended (Shenton, 2004). According to Merriam (1995), the corresponding qualitative research concept of credibility seeks to assess how “congruent” the findings are with reality. Triangulation was employed in this study to enhance credibility of findings in this mixed methods study. Findings from the questionnaire and semi-structured interview were integrated in an attempt to arrive at a more conclusive understanding of the sustainable livelihood strategies of informal traders in Mount Frere. Also data from several cases interviewed was used to corroborate one another. Credibility of findings was further strengthened by the fact that the research methods adopted in this study were applied consistently to ensure that variation of results between respondents reflected

underlying differences in the phenomenon investigated rather than deficiencies or the lack of uniformity in the way that research components such as data collection tools were used. Before final submission of the report, the final analysis and presentation underwent rigorous scrutiny by the academic supervisor with a view to benefit from her expertise and wide experience. The researcher also engaged peers in an effort to benefit from their constructive criticism. While interviewing respondents the researcher also employed a technique that Shenton (2004) calls 'iterative questioning,' that is probing and returning to questions asked earlier to ascertain the respondent was not lying. Credibility was also achieved by encouraging frankness on the part of respondents and allowing respondents to withdraw from the study at any point during interview or questionnaire completion to ensure that those who saw the whole process through were really those who were absolutely committed and genuinely wanted to partake. Examination of previous researchers' findings and relating one's own to these is, in Shenton's (2004) view, one way of ensuring credibility. This technique was employed in this study together with giving thick descriptions of the issues studied as well as the context. The researcher also practised what Shenton (2004) refers to as 'researcher's reflective commentary' whereby the project was reviewed as it proceeded by way of recording own impressions of each data collection session in addition to checking data for accuracy immediately after finishing with each respondent. Emerging issues were closely monitored as they unfolded to ensure that nothing was lost.

**4.5.2 Transferability:** According to Bryman (2012), external validity refers to the generalizability of findings. In other words the extent to which the findings can be applied to other situations (Merriam, 1998). Findings from this mixed methods study may not be generalised beyond the particular case or transferred to another situation since it is not based on a truly randomly-selected representative sample. However, acting on the suggestions of writers such as Lincoln and Guba (1985), sufficient contextual information concerning the study site was provided so that readers of the resultant report of findings may transfer the findings to their own context should they feel, based on the information supplied, that their own situation is similar to the one in which the study was conducted. As such, it was not the express objective of this study to generalise or transfer findings to another context beyond the one in which the study was conducted. Transferring of results is up to the reader if they feel it is appropriate, but it will be the responsibility of the investigator to furnish them with sufficient detail to aid them in making

that decision. Shenton (2004) advises that, to enhance credibility of findings, boundaries of the study must be given and that includes the following information:

- number of participants
- restrictions in type of people who contributed
- number and length of data collection sessions
- time period over which data was collected and
- data collection methods.

**4.5.3 Dependability:** According to positivists, measures should be in place such that if a study were repeated in the same context, on the same respondents, utilising the same methods, similar results would be generated (Shenton, 2004). This relates to reliability of findings generated from a research study (Bryman, 2012). Lincoln and Guba (1985) draw a link between credibility and dependability, arguing that achieving credibility is also a pointer to the dependability of a study. Following Shenton's (2004) guidelines on how to achieve dependability, all processes within the study were described and explained in detail. This includes the research design and its implementation. The operational detail of data collection has also been described above. Overall aim of this effort is to enable another researcher to repeat the research and that can only be possible if there is sufficient clarity in the description of research processes.

**4.5.4 Confirmability:** As Shenton (2004) puts it, confirmability is concerned with demonstrating that the work's findings are results of experiences and ideas of respondents rather than characteristics and preferences of the researcher. The use of more than one method, as discussed above, goes a long way in reducing the impact of the investigator's bias, thereby enhancing the confirmability of findings generated from the study. Shenton (2004) is of the view that achieving confirmability of the resultant findings of a study lies in part in giving reasons for favouring one approach over the other as well as acknowledging weaknesses of techniques employed. The researcher has attempted to do this throughout the design process, from choice of research approach through to sampling. Shortcomings in chosen techniques have been identified.

## **4.6 RESEARCH ETHICS**

Diener and Crandall (1978) (Bryman, 2012) breaks down ethical considerations that come up in

the interaction of researchers and respondents into four main categories as follows:

- harm to participants (physical, emotional)
- informed consent
- right to privacy
- deception (See also Fontana & Frey, 1994; Walsham, 2006)

**4.6.1 Protection from harm:** The research did not pose any risk of physical harm to participants. Nonetheless, the researcher reassured them that they would be protected from any form of psychological and emotional harm by desisting from asking any questions of a sensitive nature that might trigger these. One way of protecting participants from harm is by ensuring confidentiality of the responses that they provide (Bryman, 2012). The researcher ensured **confidentiality** by not disclosing the actual identities of the respondents in reporting the findings. Rather, all the 125 respondents were given unique numbers, which were used to identify the source of information where verbatim quotes were included in reporting of the findings. By so doing, **anonymity** of respondents was thus guaranteed, thereby ensuring that participants were protected from harm.

**4.6.2 Informed Consent:** The participants have a right to full disclosure about the research (Mouton, 2001). The following steps were followed to ensure informed consent of respondents to participate in the research:

- The researcher stated clearly the institution he represented and showed the respondents his student Identity card, together with the letter of introduction that was obtained from the research supervisor.
- The researcher explained to the respondents that the research was purely for academic purposes.
  - The researcher explained to them that even after consenting to participate, they could still withdraw their participation at any point if for any reason they felt uncomfortable (Mouton, 2001). Only then did the researcher ask for their permission to proceed if they did not have any objections.
  - The researcher gave the respondents room to decline partaking in the study, as Bryman (2012) advises, thereby ensuring that participants took part in the study on a **voluntary**

basis.

**4.6.3 The right to privacy:** Respondents, just like anybody else have a right to privacy and that has to be respected by the investigator or researcher. As Bryman (2012: 142) states,

covert methods are usually deemed to be violations of the privacy principle on the grounds that participants are not being given the opportunity to refuse invasions of their privacy.

In this study the researcher strived to respect participants' right to privacy in the following ways:

- He made it clear that they had a right to refuse to be interviewed or complete questionnaires.
- Participants were assured that their responses would be treated with the strictest confidentiality, for example removal of identifiers from questionnaires so that responses could not be traced back to them in any way.
- The respondents were made aware of their right to refuse to answer any question even if they had given their consent to participate in the research.
- The researcher also tried not to make interview sessions unnecessarily too long (Mouton, 2012).

**4.6.4 Avoidance of deception:** According to Bryman (2012: 143), “deception occurs when researchers represent their work as something other than what it is.” The researcher ensured that respondents were not deceived by not trying to get access to them under false pretences. Although Bryman (2012: 143) is of the view that it is sometimes not “feasible or desirable to provide participants with a totally complete account of what [the] research is about,” the researcher made it clear to the respondents that they would not gain anything from the research. The researcher refrained from coercing them to partake on a false belief that they stood to benefit in any way by partaking in the study. As stated above, under informed consent, the researcher explained to them that the research was purely for academic purposes and made it clear that the research might not be of direct benefit either to them or their community.

#### **4.7 CHAPTER SUMMARY**

In this explanatory sequential mixed methods case study of understanding the sustainable livelihood strategies of informal traders in Mount Frere, the questionnaire was used for data collection alongside the semi-structured interview. As such, both qualitative and quantitative data was collected in this study. Quantitative data was analysed through the use of descriptive statistics, while qualitative data was content-analysed according to the concepts of the SLF that were taken to represent broad themes. Findings from the interview were used to explain and corroborate findings generated through the use of the questionnaire. The sample of informal traders was split into two categories. One category was made up of CBD informal traders and the other was made up of mobile informal traders. Non probability sampling technique was used to select the sample since it was not the objective of the study to generalise to the wider population. The researcher took appropriate steps to ensure the trustworthiness of findings from this mixed methods study. Research ethics were properly observed in this study. The findings from the study are presented in the next chapter.

## CHAPTER 5

### EMPIRICAL FINDINGS

#### 5.1 INTRODUCTION

The chapter reports the findings from the research on understanding sustainable livelihood strategies of informal traders in Mount Frere. This chapter is structured into two parts. Part A of the chapter commences by describing the regional distribution of the response rate for the informal traders in Mount Frere. Part B of the chapter will explain the empirical findings of the study.

#### 5.2 PART A: REGIONAL DISTRIBUTION

The study sample of this research consists of two informal trader types in Mount Frere. These are informal traders who sell their goods and services within the central business district (CBD informal traders) and informal traders who sell their goods and services outside of town (mobile informal traders). The total sample is made up of 2 separate samples as follows: 100 CBD informal traders and 25 mobile informal traders, adding up to a total of 125. Mobile informal traders were selected through snowball sampling until the desired quota of 25 was full. CBD informal traders were selected through purposive judgement sampling. In order to ensure equitable representation of the different CBD informal businesses within the sample, maximum variation technique was used. To that end the researcher divided the actual number of informal businesses in each business category by the total number of informal businesses in Mount Frere CBD, multiplied by an arbitrarily chosen baseline of 90, in order to determine the number of participants to select from each informal business category. The following formula was used:

$a / n \times 90$  , where  $a$  = actual number of businesses in the category,  $n$  = total number of informal businesses, and  $90$  is the initial baseline sample size.

Initial sample calculations yielded a total sample size of 89 for CBD informal traders. The researcher then decided to build the sample size up to 100 by selecting eleven more participants



as shown in column 4 of Table 5.1 below. The resultant sample size of informal traders, therefore, became 125 (100 CBD informal traders + 25 mobile informal traders).

The distribution of the various business categories, the total number of informal businesses in Mount Frere and the selected samples (for both CBD and mobile informal traders) are shown in Table 5.1 below. Informal businesses are here taken to mean businesses that are not registered as legal businesses or that may be registered as legal businesses, but are not registered for tax. Those referred to as miscellaneous street traders are those informal traders that sell an assortment of fruit, chips, cigarettes, sweets, among other items, displayed on small tables along the pavement. Most of the miscellaneous street traders have their goods just strewn onto canvas sheets that are spread directly onto the pavement.

**Table 5.1: Total number of CBD informal businesses and sample selected for the study**

<b>Informal business category</b>	<b>Number of businesses in the category</b>	<b>Sample Size Calculated Using a baseline of 90</b>	<b>Additional respondents</b>	<b>Total Sample size</b>
1. Barbershop and hair saloon	65	9		9
2. Photocopying and Internet café	10	1		1
3. Clothing and shoes street stalls (new)	25	4		4
4. Clothing and shoes street stalls (2 <sup>nd</sup> hand)	10	1		1
5. Skilled trades (panel beating, spray painting and mechanical repairs (6); welding (6); carpentry and upholstery (1); electronic appliance repairs (3)	16	2	1	3
6. Fruit and vegetable (large markets)	8	1		1
7. Livestock sale (chicken and sheep)	2	-	2	2
8. Traditional clothing street stalls	30	4		4
9. Food and catering	45	6		6

10. Shoe repairs	4	1		1
11. Clothing design and garment repairs	12	2	1	3
12. Car Wash	4	1		1
13. Butchery and ' <i>shisanyama</i> '	5	1		1
14. Jewellery and Cosmetics	7	1		1
15. Liquor outlets	9	1		1
16. Tuckshops / general stores / supermarkets	31	4		4
17. Traditional medicine (natural herbs)	7	1	1	2
18. Transport (vans / regular taxis/ metre taxis)	10	1	5	6
19. Cellphone repairs and charging	7	1		1
20. Funeral hiring service and tombstones	7	1		1
21. Driving schools	7	1	1	2
22. Electronic appliance sale	10	1		1
23. Informal clothing stores	26	4		4
24. Miscellaneous street traders	280	40		40
<b>Total</b>	<b>635</b>	<b>89</b>	<b>11</b>	<b>100</b>
25 Mobile informal traders	-	25		<b>25</b>
<b>Grand Total</b>	<b>635</b>	<b>89</b>	<b>11</b>	<b>125</b>

Source: Own compilation based on the research findings

A total of 125 questionnaires were completed, by both CBD informal traders and mobile informal traders. The response rate was 100% as all the questionnaires were accounted for. Bryman's (2012) assertion of the positive effect of the researcher's presence on increasing response rate is particularly demonstrated by the response rate achieved in this study. Maximum response rate was achieved since in the event that the respondent had difficulties in completing the questionnaire, the researcher was there in person to assist, in order to nullify the possibility of non-response. Similarly, where respondents did not have adequate time to complete the

questionnaires instantly, allowance was made for them to complete the questionnaires at their own time since the researcher was in the field for a three-week period, which left him with adequate time to make follow-ups. Semi-structured-interviews were subsequently conducted with a select 20 cases (including both CBD informal traders and mobile informal traders) in order to get more clarity on their responses.

The fieldwork for this research was done over a three-week period, from the 2<sup>nd</sup> of December to the 23<sup>rd</sup> of December 2017. Data was collected in the form of questionnaires and interviews. As such both quantitative and qualitative data were generated in this research. Questionnaire data was normalized, which included checking the questionnaires for completeness. All the responses to questions were coded for ease of data entry and analysis. The coded responses to each of the 125 questionnaires containing a set of 83 questions each were entered into a Microsoft Excel database in the form of spreadsheets. Each entry was double-checked to ensure that the data had been correctly entered. After the data had been entered into the database, it was analysed by counting the entries in the cells of the spreadsheets and a calculator was used to calculate the values for the different variables. Data was presented in the form of pie charts, tables and graphs generated using a Microsoft Word package. Content analysis was performed on the qualitative data that was collected in the research. To that end the data was coded according to the concepts of the sustainable livelihoods framework (SLF). It was subsequently organized and categorized into the relevant concepts of the SLF that represented broad pre-determined themes of the study. The concepts or codes also corresponded with the themes on the predesigned questionnaire, which had also been designed in accordance with the SLF.

### **5.3 PART B: EMPIRICAL FINDINGS**

The results of the empirical findings in this section are divided into three sections, namely: descriptive information of respondents; challenges that face informal traders; and the sustainability of informal trading. The statistical findings in all the frequency tables in this chapter display the findings for CBD informal traders, mobile informal traders and the totals for CBD and mobile informal traders in separate columns.

### 5.3.1 Descriptive Information of informal traders in Mount Frere

This section is divided into three subsections. Subsection one focuses on the demographic profiles of the informal traders, which include: age of the entrepreneur; gender; educational qualifications; marital status; and the respondent's nationality. Subsection 2 focuses on the business profiles of the informal traders, which comprise of: duration of the business; work history; days of work per week and hours of work per day. Subsection 3 asked questions on why the informal traders decided to engage in informal entrepreneurship in Mount Frere.

#### 5.3.1a Demographic profiles of informal traders (CBD and mobile) in Mount Frere

The questionnaire results on the demographic profiles of the CBD and mobile informal traders are presented in table 5.2 below.

**Table 5.2: Demographic profiles of CBD and mobile informal traders in Mount Frere**

	Informal traders CBD (n = 100)		Informal traders Mobile (n = 25)		Informal traders Total (n = 125)	
	<i>Frequency</i>		<i>Frequency</i>		<i>Frequency</i>	
	<i>N</i>	<i>%</i>	<i>n</i>	<i>%</i>	<i>N</i>	<i>%</i>
<b>Gender</b>						
a) Female	44	44	5	20	49	39.2
b) Male	56	56	20	80	76	60.8
<b>Age range</b>						
a) 18-25 years	9	9	2	8	11	8.8
b) 26-33 years	23	23	8	32	31	24.8
c) 34-41 years	25	25	10	40	35	28
d) 42-49 years	20	20	2	8	22	17.6
e) 50-57 years	13	13	2	8	15	12
f) 58-65 years	10	10	1	4	11	8.8
g) Above 65 years						
<b>Educational level</b>						
a) Primary	19	19	6	24	25	20
b) Secondary	55	55	15	60	70	56
c) College/university	26	26	4	16	30	24
<b>Marital status</b>						
a) Single	35	35	9	36	44	35.2
b) Married	53	53	13	52	66	52.8
c) Divorced	3	3	0	0	3	2.4
d) Widowed	9	9	3	12	12	9.6
<b>Nationality</b>						

a) South African	77	77	2	8	79	63.2
b) Zimbabwean	7	7	16	64	23	18.4
c) Nigerian	2	2	0		2	1.6
d) Ethiopian	7	7	7	28	14	11.2
e) Ghanaian	1	1			1	0.8
f) Pakistani	2	2			2	1.6
g) Kenyan	1	1			1	0.8
h) Tanzanian	1	1			1	0.8
i) Senegalese	2	2			2	1.6

Source: Own compilation based on the research findings

The results on Table 5.2, which are based on the questionnaire responses, show the demographic profiles on the informal traders. The sample of 125 informal traders in this study consists of 100 informal traders who sell their products and services within the town of Mount Frere (CBD traders) and 25 mobile informal traders who stay within the town but operate in the areas surrounding Mount Frere (mobile traders). Within the total study sample (125), 39.2% were female and 60.8% were male. Within the sample of informal traders, the majority of traders, 28% fell within the age range of 34 to 41 years. The least number of traders, 8.8% fall within the age ranges of 18 to 25 years and 58 to 65 years. There was no trader whose age was above 65 years or below 18 years. Regarding educational level, the majority of traders, 56% had secondary education, followed by 24% who had tertiary education and lastly 20% who had primary education. Married informal traders, at 52.8% constituted the largest number in the sample, followed by those whose marital status was ‘single’, at 35.2%. Divorced and widowed informal traders made up the smallest numbers in the sample at 2.4% and 9.6%.

The above findings regarding gender representation in the informal sector should, however, not be taken at face-value as this study unearthed evidence that women dominate in other informal activities such as vending. For instance, out of the miscellaneous street traders business category in this study (40), the majority, 57.5% were female, while 42.5% were male. This latter finding of female dominance in marginal, less profitable informal economic activities like street trade echoes what was found in previous studies (Skinner & Haysom, 2017; Tshuma & Jari, 2013).

Overall, the majority of the street traders fell within the age range of 34 to 41 years and the age ranges within the different business categories varied. For instance, the cooked food and catering business type was populated by younger females, aged between 26 and 41. The middle aged and more elderly women had a greater representation in the miscellaneous street trade category.

Regarding the **demographic profiles of CBD informal traders**, the findings from the questionnaire used in this study show that there are more male CBD informal traders (56%) than female ones (44%), in Mount Frere. In this regard the findings tally with findings from other similar studies (Chilwalo, 2015; Statistics South Africa (Stats SA), 2017). Some previous studies (Hope & Lekorwe, 1999; Narayan, 2011), however, generated findings that contrast with this picture.

The evidence from this study reveals that more CBD informal traders (55%) had secondary education than those with primary education (19%) and college or university education (26%). Similar findings whereby informal traders with secondary education were more represented in informal economic activities were generated in previous studies (Chilwalo, 2015), which mirror the general trend whereby research reveals the informal economy to be populated by people with low levels of education. Ndiweni, Mashonganyika, Ncube and Dube (2014) found that 87% of informal sector participants had secondary education and below. Likewise, Ngundu (2010) found that close to half of the respondents in her study had secondary education and below.

As for the **demographic profiles of mobile informal traders**, the questionnaire findings from this study show that within the sample of mobile informal traders, the majority of informal traders (80%) were male and only 20% were female. These findings for mobile traders are in line with what was found among CBD informal traders in this study except that in the case of CBD informal traders the representation of female and male informal traders is almost equal while in the case of mobile traders the results show an overall dominance of male informal

traders. However, the results that show that there are more male than female informal traders are consistent with the literature (Chilwalo, 2015; Stats SA, 2017). The majority of the mobile informal traders (60%) just like CBD informal traders had secondary education. Only 16% of mobile informal traders had tertiary education and 24% had primary education. These findings reflect what was discovered by Chilwalo (2015) and Ndiweni et.al (2014).

### ***5.3.1b Business profiles of informal entrepreneurs in Mount Frere (CBD traders and mobile traders)***

The questionnaire findings on the business profiles of CBD and mobile informal traders are presented in Table 5.3 below.

**Table 5.3: Business profiles of informal entrepreneurs in Mount Frere**

	<b>Informal traders CBD (n = 100)</b>		<b>Informal traders Mobile (n = 25)</b>		<b>Informal traders Total (n = 125)</b>	
	<i>Frequency</i>		<i>Frequency</i>		<i>Frequency</i>	
	<i>n</i>	<i>%</i>	<i>n</i>	<i>%</i>	<i>n</i>	<i>%</i>
<b>Duration in business</b>						
a) Below 1 month						
b) 1-6 months	9	9			9	7.2
c) 7months - 1 year	6	6	3	12	9	7.2
d) 1-5 years	30	30	8	32	38	30.4
e) 6-10 years	21	21	6	24	27	21.6
f) Above 10 years	34	34	8	32	42	33.6
<b>Formal sector work history</b>						
a) Yes	37	37	11	44	48	38.4
b) No	63	63	14	56	77	61.6
<b>Days worked per week</b>						
a) 1						
b) 2	3	3				
c) 3	1	1			1	0.8
d) 4						
e) 5	3	3			6	4.8
f) 6	56	56	23	92	79	63.2
g) 7	37	37	2	8	39	31.2
<b>Hours worked per day</b>						

a) Below 1						
b) 1-2						
c) 3-4						
d) 5-6			1	4	1	0.8
e) 7-8	4	4	8	32	12	9.6
f) Above 8	96	96	16	64	112	89.6

Source: Own compilation based on the research findings

Regarding the **business profiles of CBD informal traders**, those who had operated their businesses for a period exceeding 10 years constituted the majority, accounting for 34% of the respondents. Findings also reveal that within the CBD trader sample (100), the majority (56%) worked in their business 6 days per week while 37% were involved in the operation of their business 7 days per week. Within the same sample of CBD traders the majority (96%) worked in their informal business for above 8 hours per day, while 4% worked for between 7-8 hours. What is clear from this distribution is that running informal businesses was a full-time occupation for CBD informal traders in Mount Frere. These findings are akin to the findings of the Bureau of Marketing Research (Martins & Lighthelm, 2004) which depicted that 83.8% of informal traders in their sample worked in their ventures on a full-time basis. Chirau (2012) also found that women traders at Magaba in Harare, in Zimbabwe engaged in their business on a full-time basis. The majority of CBD traders (63%) had no formal employment history, while 37% had previously worked in the formal sector.

Looking at the **business profiles of mobile informal traders**, the questionnaire findings reveal that those who had been in their informal business for a period of 1-5 years and above 10 years made up the majority (32% each for the two categories). The majority (92%) worked in their businesses 6 days per week. Within the same sample, the majority, 64% were actively involved in their informal operations for above 8 hours per day. The overall picture to which these findings point is that mobile informal traders work full-time in their informal businesses. The findings reflect the evidence for the CBD traders given above and is in line with previous empirical research (Chirau, 2012; Lighthelm & Masuku, 2004), which provided evidence that the majority of informal traders engage in the informal businesses on a full-time basis. Of the



sample of mobile informal traders (25), the majority, 56% did not have a history of previous formal sector employment.

### **5.3.1c Reasons for informal entrepreneurship for CBD and mobile traders**

The questionnaire findings on the reasons for informal entrepreneurship for CBD and mobile traders are presented in Table 5.4 below.

**Table 5.4: Frequency distribution of reasons for informal entrepreneurship in Mount Frere**

	Informal traders CBD (n = 100)		Informal traders Mobile (n = 25)		Informal traders Total (n = 125)	
	<i>Frequency</i>		<i>Frequency</i>		<i>Frequency</i>	
	<i>n</i>	<i>%</i>	<i>n</i>	<i>%</i>	<i>n</i>	<i>%</i>
<b>Reasons</b>						
a) Unemployment	37	37	10	40	47	37.6
b) Poverty	27	27	5	20	32	25.6
c) Flexible working hours	1	1	1	4	2	1.6
d) To get increased income	10	10	2	8	12	9.6
e) Had no other choice	4	4	5	20	9	7.2
f) Independence of self-employment	21	21	2	8	23	18.4
g) Total	100	100	25	100	125	100

Source: Own compilation based on the research findings

With respect to the **reasons for informal entrepreneurship among CBD informal traders**, questionnaire evidence reveals that the majority (37%) got into the informal sector due to

unemployment. Within the same sample, 27% indicated that they engaged in informal trading as a result of poverty. The findings also depict that 21% of the CBD traders became informal entrepreneurs to enjoy the independence of self-employment, while 10% were driven by the motive to get an increased income. This finding is in line with and echoes the sentiments that are conveyed in the empirical literature where engagement in informal activities is portrayed as being a response to the situation of unemployment (Chirau, 2012) as much as it was also directly motivated by the desire to enjoy the independence that self-employment offers (Peberdy, 2000). These findings are in line with Neneh and Vanzyl (2014) who found that the majority (79%) of small to medium enterprises (SMEs) were necessity based entrepreneurs as opposed to only 21% opportunity based entrepreneurs. These results reinforce the case argued by Charman, Petersen and Piper (2012) of there being more necessity than opportunity entrepreneurs in South Africa. The results for reasons of informal entrepreneurship among CBD informal traders in Mount Frere, however, are in stark contrast and paint a totally different picture from the findings of the Global Entrepreneurship Monitor (GEM) (2018), which reports that entrepreneurs are more opportunity-driven than necessity-driven.

Regarding the **reasons for informal entrepreneurship among mobile traders**, findings generated through the questionnaire show that the majority (40%) joined the informal sector as a result of unemployment. Those who cited poverty or a lack of choice as the main reasons behind their informal economic participation accounted for 20% of the respondents each. These findings reflect what is in the literature (Chen, 2012; Skinner, 2006). Mobile traders who were driven by the motive to enjoy the independence of self-employment accounted for 8%, while those who were motivated by the desire to get increased income also represented 8%. These findings are in line with the findings for CBD traders in this study where poverty and unemployment emerge as the primary reasons for people's involvement in the informal sector and the need to get increased income or to enjoy self-employment only come secondary.

The above findings regarding reasons for informal entrepreneurship, which show that necessity motivation outweigh opportunity motivation (both among CBD and mobile informal traders)

make more sense when taken in the context of follow-up semi-structured interviewing that was conducted in this study. In the interviews, the respondents clearly explained that they would readily quit informal trading if they were to find formal employment, even if it paid as little as R3 000 per month.

### **5.3.2 Conclusion on descriptive statistics of informal traders in Mount Frere**

The findings on the descriptive statistics in Mount Frere, which focused on the demographic profiles of the informal traders (age of the entrepreneur, gender, educational qualifications, marital status and the respondent's nationality); the business profiles of the informal traders (duration of the business, work history, days of work per week and hours of work per day), and reasons why the informal traders decided to engage in informal entrepreneurship led to the following conclusion: informal trading in Mount Frere has more men than women taking part in it; and the majority of respondents have secondary education. The majority of informal entrepreneurs in Mount Frere have been operating their businesses for a period that exceeds 10 years and most of them operate their businesses on a full-time basis. Poverty and unemployment constitute the major reasons of participating in the informal sector in Mount Frere.

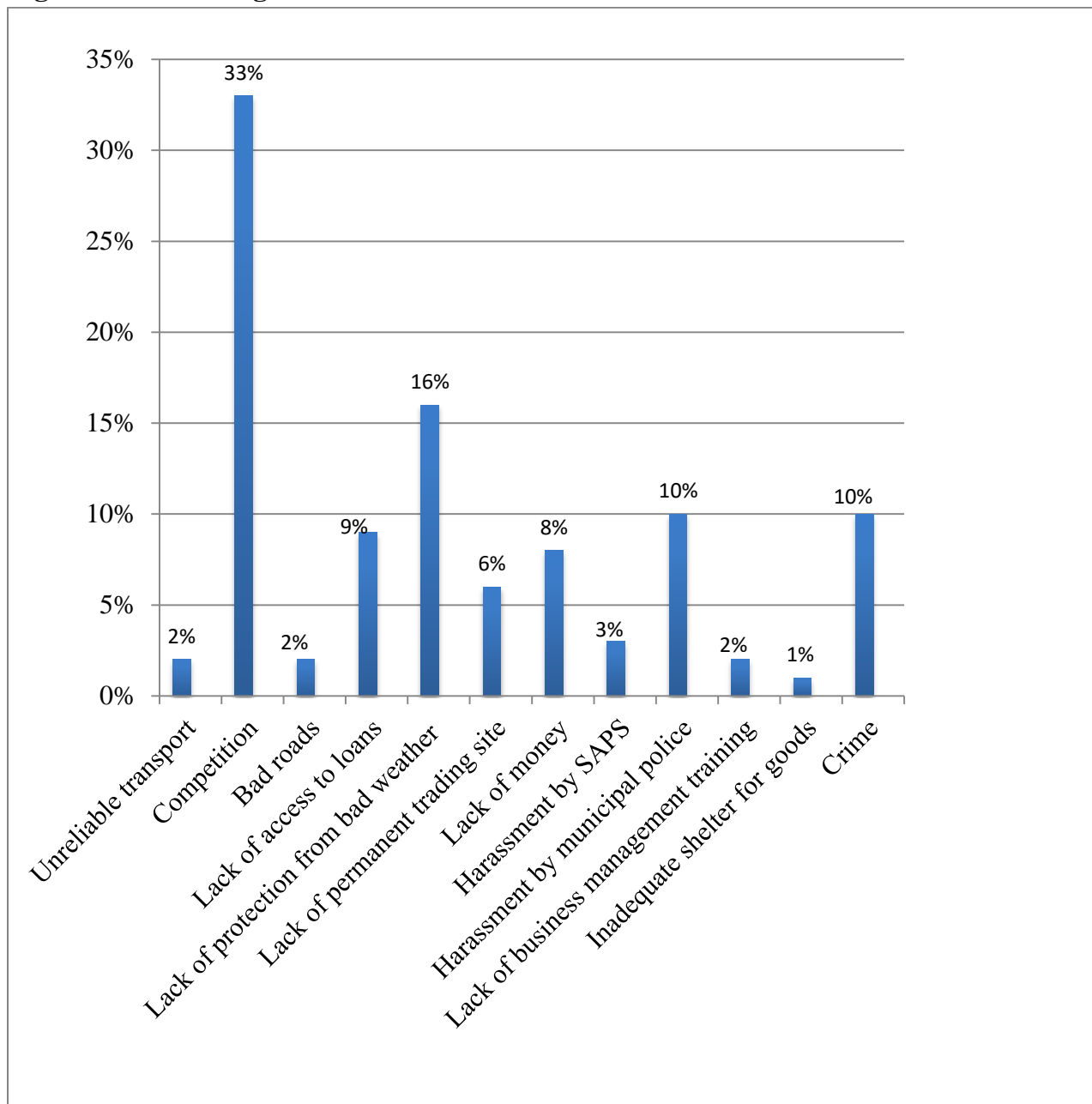
## **5.4 CHALLENGES FACING INFORMAL TRADERS IN MOUNT FRERE**

This section is divided into 2 subsections; challenges that informal traders face and major disadvantage of working in the informal sector.

### **5.4.1 Challenges facing informal traders in Mount Frere (CBD and mobile traders)**

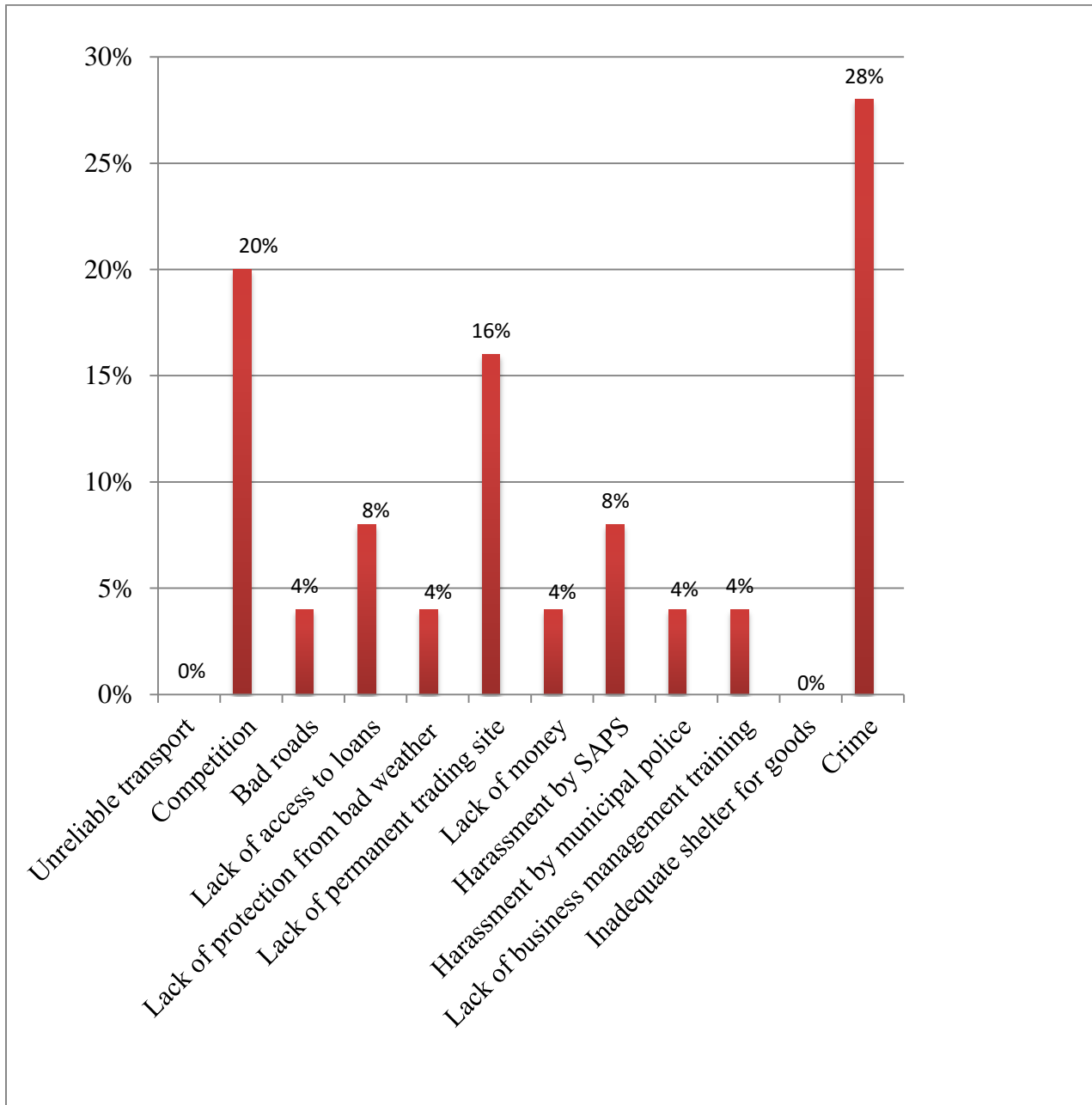
Challenges that face CBD and mobile informal traders in Mount Frere are displayed in Figures 5.1 and 5.2 below. The two figures are based on results generated through the questionnaire.

**Figure 5.1: Challenges that face CBD informal traders in Mount Frere**



Source: Own compilation based on the research findings

**Figure 5.2: Challenges that face mobile informal traders in Mount Frere**



Source: Own compilation based on the research findings

**5.4.1a Challenges that face CBD informal traders in Mount Frere**

According to the findings based on the questionnaire in this study, the biggest challenge that was cited by the majority of respondents among CBD traders (33%) is **competition**. This is in line with Shabalala (2014) who found that competition was one of the three major challenges

constraining the growth of informal businesses in Delft, in Cape Town. The challenge of competition is also revealed in other studies (Chilwalo, 2015; Ngundu, 2010) to be one of the topmost challenges with which informal traders have to grapple. Competition among informal traders is quite stiff, such that with the growth of the informal economy in Mount Frere, the income that traders used to get from their activities is fast dwindling. Through the follow-up semi-structured interview respondents elaborated on some of these challenges. In a statement that underlines the impact of competition, one trader who makes shoes remarked that:

Business is risky. You go in there not knowing what you are going to get. Too many of us now are all doing the same thing and it becomes more and more difficult to generate sales. In the olden days we used to set ourselves targets, to say we must sell a certain number of items per day. Now we get stuck with the same product, sometimes for months on end, failing to sell it (Respondent 37. Interview date: 7 December 2017).

The **lack of adequate infrastructure** was also revealed, through the questionnaire, to be a huge challenge, accounting for 16% of the respondents. Willemse (2011) in a study of informal traders in the CBDs of four cities in South Africa also unearthed the challenge posed by inadequate infrastructure. As the evidence from semi-structured interviews reveals, the issue of infrastructure is a thorny issue in Mount Frere's informal economy. Its effects cut across all the informal business types. Informal street traders perhaps feel the pinch the most when compared to traders in the other business categories. One miscellaneous street trader who sells second hand clothes, fruit, chips and sweets remarked:

All we need from the municipality is for them to build some form of shelter for us. Right now it is drizzling and I cannot display all the second hand clothes that I am selling because they will get wet. At the end of the day I would have missed out on potential

income. Where then, am I to get the licence fee that they require us to pay every month. (Respondent 98. Interview date: 17 December 2017).

Concerning infrastructure, one regular taxi operator had this to say:

We do not have a designated taxi rank in this town. The municipality has been promising to build one for us for years now, but nothing has materialized yet. As you can see taxis drop off and pick up passengers anywhere, including in front of shops, which causes unnecessary traffic congestion. It also heightens the risk of accidents (Respondent 49. Interview date: 10 December 2017).

To illustrate the magnitude of the challenge of inadequate infrastructure and its potential debilitating effect on the informal rural transport business a rural passenger van operator opined:

The condition of the roads is just so bad. It causes engine wear, which makes it very costly for us to repair and maintain our vehicles (Respondent 47. Interview date: 8 December 2017).

Inadequate infrastructure manifested in the form of inadequate access to sanitation and ablution facilities was also cited as a serious challenge to which several informal traders attested. There is a free public toilet in town, but as one informal trader revealed in a follow-up semi-structured interview:

They do not open it when there is no water (Respondent 66. Interview date: 12 December 2017).

As it turned out, from the researcher's observations, the toilet was closed during the entire duration of fieldwork (three weeks) and it was not clear whether the water supply to the toilet was permanently disconnected all together. The alternative toilet, which the informal traders can use, is one where a payment of R2 has to be made for one to use the facility. The dire situation of lack of infrastructure in the form of toilets was underlined by one informal trader in a follow-up semi-structured interview. The informal trader observed:

We do not have a toilet. People just go and relieve themselves in the open, there at the back of the shops. That poses a serious health risk as there are women selling cooked food, fruit and vegetables nearby. There is a risk of a serious disease outbreak. (Respondent 1. Interview date: 2 December 2017).

The challenge of **harassment**, which, according to questionnaire data, was cited by 10% of CBD traders in Mount Frere was also found to be a significant challenge in similar studies in Zimbabwe (Chirau, 2012) and in Zambia (Chilwalo, 2015). Harassment cited by informal traders was attributed to two sources (municipal police and members of the South African Police Service). Harassment by municipal police was experienced by those who were operating businesses at undesignated points or those who were operating without licences. Those who were found to be flouting existing by-laws had their goods confiscated by the municipality and were liable to payment of a fine if they wanted to get their goods back. Harassment by SAPS was experienced by those informal traders who dealt in illegal or prohibited goods such as pirated DVDs and CDs. This type of traders, in addition to having their merchandise confiscated also suffered arrest and incarceration. Since some of them are non-South African, once arrested they end up being queried concerning their immigration status as some of them confessed during follow-up interviews that they did not have proper documentation. Informal transport business operators perhaps felt the pinch of harassment more than operators of other business types. As one driver of a rural passenger van, who was interviewed, observed:



The roadblocks and random checks and searches are such a nuisance. They always have to find something wrong with your vehicle. If it is not an overload, then it has to be the worn tyres of your vehicles. I wonder if they will not end up charging us for not wiping our windscreens. It is all a ploy to make money out of us. (Respondent 45. Interview date: 9 December 2017).

Some traders were of the view that considering the extent to which the police took bribes (also found in Chirau's (2012) study and Shabalala's (2014) study) they (the police) were more concerned with lining up their pockets than with enforcing regulations.

The findings regarding the challenge of **crime**, at 10%, according to questionnaire data, are reminiscent of findings by Shabalala (2014) who found crime to constitute a significant constraint to business growth, a finding which was reinforced by Hartnack and Liedeman (2016). To a Pakistani businessman who operates a shop that sells electrical appliances and also employs a South African woman the issue of crime has reached alarming proportions and threaten survival of businesses in Mount Frere. In a semi-structured interview, the respondent had this to say:

Crime is rampant here in Mount Frere, just like anywhere else in South Africa. I would like to grow my businesses and had plans to register it to become formal and perhaps acquire citizenship. However, the high incidence of crime in South Africa made me to reconsider as I doubt that I would like to live permanently in an environment where I cannot feel safe. Just last week, the Chinese next door was robbed at gunpoint and lost a lot of valuables. It is like the criminals feel entitled to do just as they please with absolutely no consequence. (Respondent 22. Interview date: 6 December 2017).

The challenge of **lack of access to credit**, with a frequency of 9%, as evidenced by data generated through the questionnaire, echoes Willemse's (2011) findings in a study of informal traders in the CBDs of four South African cities, which revealed that lack of finance characterised informal traders' operations. The challenge posed by lack of access to loans hinders business expansion prospects to those informal traders who wish to grow their businesses. This challenge was cited by 9% of CBD informal traders and 8% of mobile informal traders who completed the questionnaire. The challenge stems mainly from the fact that informal traders in Mount Frere lack collateral in order to be considered eligible for loans by banks and other credit providers. The challenge of lack of access to loans was said to be a challenge by those informal traders who run businesses that have a potential to grow. According to one transport operator who was interviewed:

Getting access to loans and credit is not enough. What we need is for the government to subsidise the loans and credit facilities because on our own we would never be able to meet the loan repayment terms. Otherwise our businesses would drown in debt. (Respondent 49. Interview date 9 December 2017).

On the basis of the evidence, the researcher concurs with previous researchers such as Shabalala (2014) that lack of access to loans is one of the challenges that face informal business operators.

#### ***5.4.1b Challenges that face mobile traders in Mount Frere***

The challenge of crime features more prominently in the sample of mobile informal traders where it is, according to the evidence, the biggest challenge that faces this type of informal traders. According to questionnaire data, it has a frequency of 28% and is evidently the major challenge that faces this type of informal traders. Shabalala (2014) found crime to be one of the top three challenges that face informal business operators. Crime, as experienced by mobile traders takes many forms, which include getting robbed of stock, money or other personal belongings such as cellphones, and in some cases physical harm. Mobile traders operate on

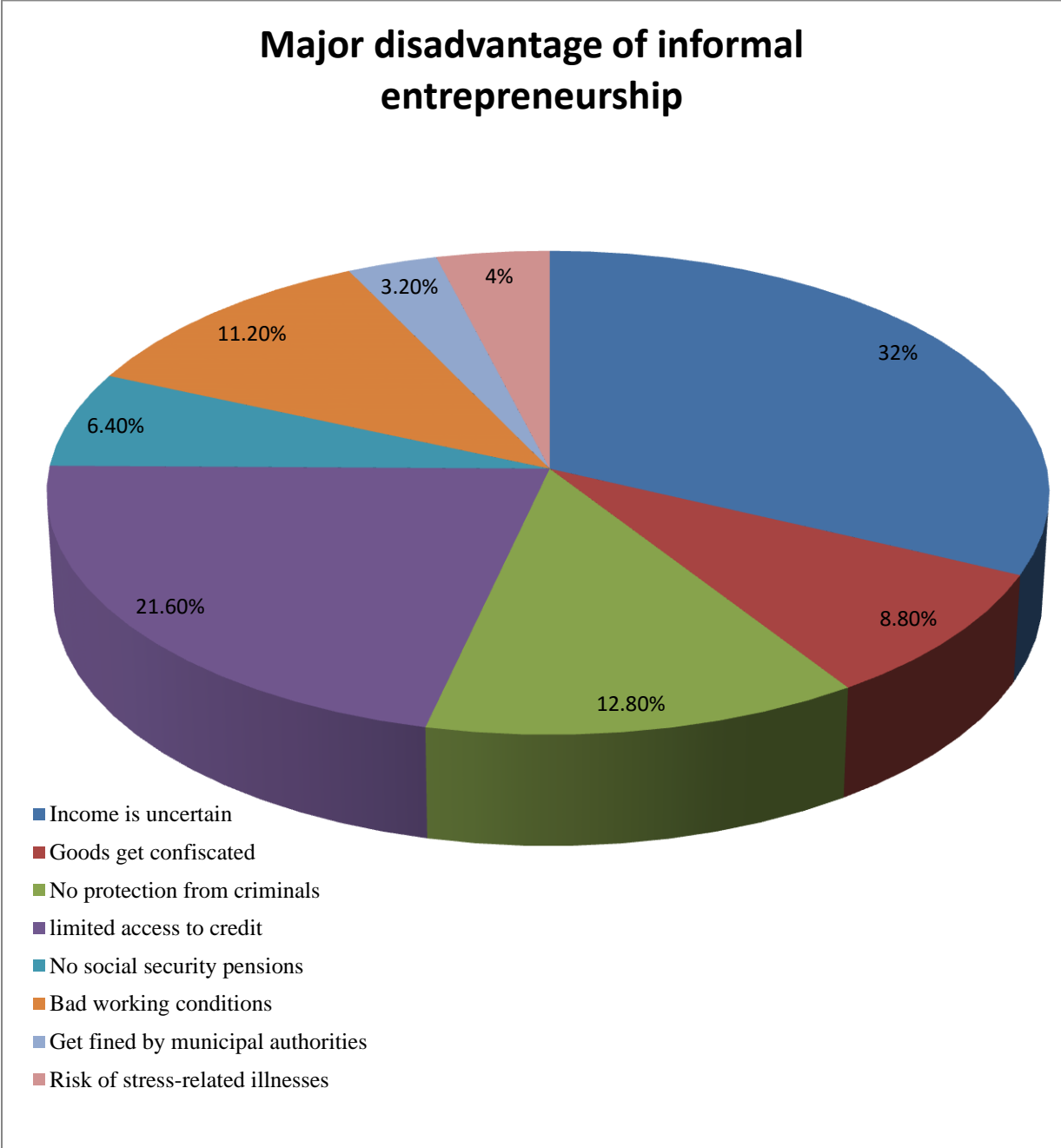
credit basis and collect money owed, from their customers on month-ends and social grant pay dates. It is particularly at those times when they go to collect money that they often fall victim to crime. Regarding the challenge of crime, two particular examples that the researcher came across during follow-up semi-structured interviews, spring to mind. In the first example, an elderly Zimbabwean woman between the ages of 58 and 65 years who sells clothing, blankets and aluminium dishes escaped attempted rape while she was on one of her trips to collect money from her customers at the end of the month. Two men, probably between the ages of 25 and 30 years, according to her estimation, accosted her for money while she was passing through a bushy, secluded area. According to her narration, what followed the demand for money showed that it evidently was not only money that they were after. She escaped by fending them off with an umbrella, which she used as a weapon. In another example, a Zimbabwean mobile trader was gunned down in the villages just outside Mthatha, which is about 90km from Mount Frere. It was brought to the researcher's attention that the deceased man's friends were actually attending the funeral at the time of fieldwork for this study. On the basis of this evidence, the researcher concurs with Hartnack and Liedeman (2016) and Shabalala (2014) who identified the challenge of crime as a critical factor that can lead to business failure, thereby threatening the livelihoods of informal entrepreneurs.

To complete the top five challenges faced by mobile informal traders, the other four challenges cited by respondents, in descending order, according to the evidence generated through the questionnaire, are: competition (20%), which confirms findings from previous study (Phillip, 2011); lack of permanent trading sites (16%) in line with findings from other studies (Ngundu, 2010; Tshofuti, 2016); lack of access to loans (8%); and harassment by the South African Police Service (SAPS) (8%), which confirms findings in previous studies (Chilwalo, 2015; Chirau, 2012) in which harassment was found to be one of the key challenges that faced informal traders.

#### **5.4.2 Major disadvantage of working in the informal sector (CBD and mobile traders) (n = 125)**

The chart below (Figure 5.2) displays the informal traders' responses to the question of what they thought to be the major disadvantage of informal entrepreneurship. The chart is based on the evidence that was collected through the questionnaire.

**Figure 5.3: Major disadvantage of working in the informal sector (n = 125)**



Source: Own compilation based on the research findings

The results displayed on Figure 5.2 depict the disadvantages of working in the informal sector. Findings from the research reveal that the major disadvantage of working in the informal sector is that income is uncertain, which accounts for 32%. In a similar study, Ngundu (2010) found irregular income to be of huge concern among women traders in Chegutu, in Zimbabwe. According to the evidence generated through the questionnaire, the other disadvantages of participating in the informal sector, with relation to the above sample of informal traders in Mount Frere, in descending order are: limited access to credit, 21.6%; lack of protection from criminals, 12.8%; bad working conditions, 11.2%; confiscation of goods, 8.8%; lack of social security pensions, 6.4%; high risk of stress-related illnesses, 4%; and liability for payment of fines, 3.2%. All these issues were pointed out as disadvantages of informal economic activities by a host of previous researchers (Chilwalo, 2016; Chirau, 2012; Hartnack & Liedeman, 2016; Tshofuti, 2016).

Besides the pre-identified challenges on the questionnaire that was used for data collection, respondents, through semi-structured interviews, revealed other challenges that they grapple with in the day-to-day operation of their businesses. One such challenge relates to water scarcity alluded to above. A woman who operates a hair salon painted a picture of the gravity of the problem:

There is no tap water connection in most of the building facilities that we operate from. We have to bring our own water from the location. If there is any salon you see here that has got water supply, they are actually stealing that water and have connected their pipes somewhere illegally. (Respondent 1. Interview date: 2 December 2017).

The challenge of water scarcity is also acutely felt by car wash business operators, but the four car wash businesses identified by the researcher have cushioned themselves from the crippling effects of the challenge by investing in 5,000 litre tanks in which they store harvested rainwater.

The researcher noticed that each of the businesses in this category was equipped with two such tanks.

Another challenge that almost all mobile informal traders of goods talked about in the interviews was that of bad debt. They claimed that some of the customers buy from them on credit and promise to pay at the end of the month. When the time to pay comes, they simply return the item, after using it. In some cases, they simply do not open their doors when the informal traders come to collect their money and will not answer their phones when traders try to call them about the due payment. In other cases, upon the arrival of the trader to collect debt, they hide inside the house and send someone outside to tell the trader that they travelled, migrated or even that they passed on. In the more extreme cases they simply let their dogs out on informal traders who would have come to collect the money that they are owed. These are just some, among numerous other challenges that informal traders face.

#### **5.4.3 Conclusion on the challenges facing informal traders in Mount Frere**

This sub-section looked at the challenges that face both CBD informal traders and mobile informal traders in Mount Frere. The five major challenges that face these two types of informal traders are: Competition; financial constraints (lack of access to loans and lack of money); infrastructure; crime; and harassment by police. These five challenges emerged as the top challenges for both CBD informal traders and mobile informal traders, although the extent of their relevance varied between the two types of informal traders. For instance, for CBD informal traders, competition emerged, through questionnaire evidence, as the topmost challenge, while for mobile informal traders, the major challenge, according to the evidence, appeared to be crime. Although harassment was cited as a significant challenge by both CBD and mobile informal traders, interviewing revealed that the form it took differed. While in the former case the source of harassment was the municipal police, in the latter case harassment emanated from SAPS.

## **5.5 SUSTAINABILITY OF INFORMAL TRADING**

The results in this section will be presented based on the sustainability framework which is made up of five components, namely the vulnerability context, livelihood assets, transforming structures and processes, livelihood strategies and livelihood outcomes. Also, findings from other livelihood activities (diversification) used by informal traders in Mount Frere and livelihood support of informal traders in Mount Frere will be explained. Unlike in section 1 where findings were explained separately for CBD informal traders and mobile informal traders, in this section the findings will be presented and explained for the total trader sample,  $n = 125$ , though statistics in the frequency tables will be broken down into the two types of informal traders.

### **5.5.1 The Vulnerability Context of informal traders in Mount Frere**

Evidence from the research suggests that poverty and unemployment shape the vulnerability context that drives people into the informal economy. Statistics generated through the questionnaire reveal that 37.6% of the total trader sample of 125, started informal trading as a result of unemployment. Poverty, at 25.6%, comes in at second top place of reasons for informal economic activities. These findings are consistent with findings generated elsewhere (Chen, 2012; Shabalala, 2014; Skinner, 2006).

Subsequent probing of respondents in follow-up interviews revealed that some of the migrant traders (both CBD and mobile) resorted to informal trading having failed to secure formal employment as they do not have proper documentation, in terms of permits. This finding echoes views in the literature (International Labour Office (ILO), 2016; Verick, 2011) that migrants and refugees often get absorbed into the informal economy as a result of lack of proper documentation, which is a pre-requisite for employment of foreigners in the formal sector. Through follow-up interviewing, commencement of informal economic activities was also found in some instances to coincide with major shocks that weaken other livelihood strategies, thereby increasing exposure to poverty and vulnerability. Examples of such shocks are sickness, loss of a job or death of a breadwinner in the household. In a follow-up interview, an elderly, chronically ill former schoolteacher narrated the heart-rending chain of events that led her to selling Tupperware in the street.

I fell seriously ill, to such an extent that it affected my brain and I lost my mental faculties and subsequently got discharged from my job as a schoolteacher. As fate would have it, just around the same time, a fire broke out in my house and burnt down all my worldly possessions, including all my educational certificates. Those circumstances resulted in me resorting to street trade in order to make a living. (Respondent number 68. Interview date: 12, December 2017).

Similarly, a former security guard told of events that resulted in him being a street trader. He said:

Things happened at my workplace and I got fired. I struggled to find another job and, naturally, the only option open to me was to engage in street trading. (Respondent 63. Interview date: 11 December 2017).

The above two quotations are consistent with the findings from a previous study (Chirau, 2012) where it was found that commencement of informal trade activities often followed major life-changing events that eroded other more stable livelihood strategies such as formal employment.

### **5.5.2 Informal traders' livelihood assets (financial, social, human, physical, natural)**

The questionnaire results pertaining to the livelihood assets of CBD and mobile informal traders are presented in Table 5.5 below.



**Table 5.5: Resources that informal entrepreneurs use**

	Informal traders CBD (n = 100)		Informal traders Mobile (n = 25)		Informal traders Total (n = 125)	
	<i>Frequency</i>		<i>Frequency</i>		<i>Frequency</i>	
	<i>n</i>	<i>%</i>	<i>N</i>	<i>%</i>	<i>N</i>	<i>%</i>
<b>Financial capital</b>						
<i>Source of start-up capital</i>						
a) Own savings	63	63	14	56	77	61.6
b) Partner/spouse	12	12	5	20	17	13.6
c) Loan shark						
d) Relative	20	20	4	16	24	19.2
e) Household member	1	1	1	4	2	1.6
f) Friend/neighbour	3	3	1	4	4	3.2
g) Bank loan	1	1	0	0	1	0.8
<b>Human capital</b>						
<i>Where did you learn the skills?</i>						
a) School						
b) College/university	9	9	2	8	11	8.8
c) Formal sector job	4	4	2	8	6	4.8
d) Family/Relatives	10	10	0	0	10	8
e) Friends/neighbours	1	1	1	4	2	1.6
f) Other informal traders	76	76	20	80	96	76.8
<i>Physical disability?</i>						
a) Yes	1	1	0	0	1	0.8
b) No	99	99	25	100	124	99.2
<i>Incapacitating illness?</i>						
a) Yes	6	6	0	0	6	4.8
b) No	94	94	25	100	119	95.2
<b>Social capital</b>						
<i>Member of RGSC?</i>						
a) Yes	15	15	4	16	19	15.2
b) No	85	85	21	84	106	84.8
<i>Member of informal traders association?</i>						
a) Yes	6	6	0	0	6	4.8
b) No	94	94	25	100	119	95.2
<i>Benefits of social network</i>						
a) Information	24	24	12	48	36	28.8
b) Sharing expenses	5	5	3	12	8	6.4
c) Sharing skills	3	3	3	12	6	4.8
d) Sharing knowledge	4	4	2	8	6	4.8
e) Source of borrowing	17	17	2	8	19	15.2
f) Child-minding	7	7	2	8	9	7.2

g) Other	11	11	0	0	11	8.8
h) None	29	29	1	4	30	24
<b>Physical capital</b>						
<i>Machines used</i>						
a) Computer	6	6	1	4	7	5.6
b) Cellphone	46	46	10	40	56	44.8
c) Welding machine	2	2	6	24	8	6.4
d) Other	46	46	8	32	54	43.2
e) None						
<b>Natural capital</b>						
<i>Practise agriculture</i>						
a) Yes	61	61	13	52	74	59.2
b) No	39	39	12	48	51	40.8
<i>Household owns land?</i>						
a) Yes	55	55	2	8	57	-
b) No	6	6	11	44	17	-
<i>Sell or use forest products in business?</i>						
a) Yes	3	3	0	0	3	2.4
b) No	97	97	25	100	122	97.6

Source: Own compilation based on the research findings

The results in Table 5.5 show the livelihood assets that informal traders make use of. The results show that informal traders make use of financial, social, human, physical, natural resources. With regards to financial capital, the sources of financial capital used to start informal businesses, in descending order, are as follows: own savings, 61.6%; relative, 19.2%; partner/spouse, 13.6%; friend/neighbour, 3.2%; household member, 1.6%; and bank loan, 0.8%. In terms of human capital, the sources of human capital used in business in descending order were as follows: other informal traders, 76.8%; college/university, 8.8%; family/relatives, 8%; and formal sector job, 4.8%. Also, only 1 (0.8%) had a physical disability as opposed to 99.2% who did not have a physical disability. Informal traders who indicated that they had an illness that made it difficult for them to engage in their activities effectively constituted 4.8%, and 95.2% responded that they did not have such an illness. With regards to social capital, the majority, 15.2%, were members of rotational group savings clubs, whereas 84.8% were not. Regarding benefits derived from networks of social relationships, the results reveal that sharing information, 28.8%; sharing expenses, 6.4%; sharing skills, 4.8%; sharing knowledge, 4.8%; source of borrowing, 15.2%; child-minding, 7.2%; other, 8.8%; and none, 24% are types of

social relationships informal traders make use of. Furthermore, in terms of physical resources, 44.8% of informal traders indicated that they used a cellphone in their business and 43.2% stated that they used other machines that depended on the type of business operated, 6.4% responded that they used welding machines in their businesses, whereas 5.6% made use of computers in their business. In sum, n = 125 (100%) made use of a machine of one form or the other in their informal business. Moreover, in relation to natural resources, the study found that the majority, 59.2%, of the respondents indicated that they practiced agriculture; either crop farming, rearing livestock or both. The above findings from the questionnaire confirm the results from previous studies (Chilwalo, 2015; Chirau, 2012), which found that informal traders made use of all forms of capital (financial, social, human, physical and natural). The majority, 97.6%, neither sold nor used forest products in their informal business. This finding confirms Rakodi and Lloyd-Jones' (2002) view that informal trading is an example of an activity that does not depend on natural capital to a large extent. Besides the pre-identified livelihood assets on the questionnaire that was used for data collection, respondents elaborated on some of these livelihood assets in the semi structured interviews. Evidence from the research, therefore, reveals that informal traders in Mount Frere used all forms of capital in their business operations, although their stock of some of the capitals was limited.

### ***5.5.2a Financial Capital***

According to questionnaire evidence a total of 61.6% used their own savings to start their businesses. Further probing through the semi-structured interview revealed that this percentage includes those who previously held formal jobs and had used their retirement packages or savings they had accumulated during the course of their employment. The percentage also includes those who had saved the social grant they received from government or remittance from a relative working elsewhere and channeled it towards starting the informal business venture. Some of those who used their own savings to start informal businesses had not retired or resigned from their jobs, but were still employed in the formal sector and running their informal businesses concurrently. Those in this latter group were, however, not involved in purely survival informal activities, but rather a bit more rewarding business activities that include transport.

### ***5.5.2b Social capital***

According to the findings from the semi-structured interview that was used in this study, informal traders in Mount Frere rely on social capital in the form of information-sharing amongst the traders. Social capital amongst informal traders in Mount Frere takes the form of networks of social relations which turn up to be sources of help during difficult times. The extent to which social capital can be converted to financial capital is evident in cases where informal traders had accessed start-up financial capital for their businesses through relatives, friends or other household members. In some cases informal traders had coped with the challenge posed by lack of money through borrowing money from relatives, other household members, friends, neighbours and other informal traders. The importance of social capital in determining an informal business's well-being is reflected in the sentiments of a Zimbabwean street trader who sells second hand clothes and shoes. Through the semi-structured interview, he said:

I used to get financial help from my sister. In fact, she is the one who helped me with initial start-up capital and I would occasionally turn to her whenever I needed financial assistance. Ever since she emigrated to Zambia, business has never been the same. If I were to get a job that pays even as little as R3,000 per month I would readily take it up. (Respondent 15. Interview date: 4 December 2017).

Social capital also forms the basis on which rotational group savings clubs are formed.

**Rotational group savings clubs (RGSCs)** are formed by people who come together with a common objective of saving money. The semi-structured interview that was used in this study revealed that these groups take different variations but the common type is whereby two or more people pool together an agreed amount of money at intervals of a collectively agreed period of time. The period can be weekly, fortnightly or monthly depending on what the members of the group agree on. If a weekly period is chosen, all the money pooled together by members of the club is paid to one member at the end of the week. In the subsequent period all the money

pooled together is paid to another person and it goes on like that until the round is completed. They usually agree that the last person to be paid in a round becomes the first person to be paid in the subsequent round.

RGSCs are known as ‘mukando’ in Shona and ‘mgalelo’ in IsiXhosa. Social capital in the form of RGSCs has multiple benefits. It acts as a source of financial boost in times of need and can also be seen as a coping strategy for competition as it fosters cooperation including sharing information. Women traders who were part of RGSCs indicated that they (RGSCs) were an important source of financial boost in times of crisis. This finding tallies with what Chirau (2012) found in relation to social capital in the form of RGSCs among informal traders in Zimbabwe.

The importance of social capital was also evident where mobile informal traders, through interviews, indicated that their immediate networks of social relations were their first point of contact in the market when they were selling their goods. Neves’ (2017) study revealed a similar finding. Mobile traders interviewed indicated that most of their merchandise is bought by people they already know and who often times after buying will place more orders, with their informal trader, of other items that they need. Several mobile traders interviewed reiterated that sometimes they would go to certain homesteads trying to sell their goods only to be told that the prospective customer could not buy from them since they already have another mobile informal trader with whom they have an understanding and will only buy from that particular trader. What is apparent in these examples is the dynamic nature of social capital which can evolve into a long-term business relationship. On the other hand, transactional business relationships exhibit the tendency to lead to the extension and deepening of social capital networks where mobile informal traders in Mount Frere are concerned.

### ***5.5.2c Physical capital***

All informal traders within the sample relied on some form of physical capital in their informal activities. Within the total trader sample (125), questionnaire evidence showed that 5.6% use computers in their informal activities. There is also evidence of use of cellphones in the informal economic activities as represented by 43.2%. Within the same sample, 9.6% use welding machines and the remainder, 41.6%, use other types of machines that include cars and payphones. The use of physical capital in informal activities is also reflected in the use of taxis or public transport by informal traders as they commute between home and their businesses on a daily basis. There is also evidence of physical capital being converted into financial capital where rooms in a house were rented out as a way to raise additional income.

### ***5.5.2d Natural capital***

There is little evidence of direct use of natural capital in informal economic activities by informal entrepreneurs in Mount Frere. Within the total trader sample (125), only 2.4% sold products that were directly acquired from the forest. These informal entrepreneurs sold herbal medicine that was made out of tree bark, roots and leaves as well as from wild animal products. The findings, however, show significant use of natural capital in the form of land for both crop and livestock farming. Within the total trader sample, 59.2% practiced some form of farming as opposed to 40.8% who did not. Although 17 respondents out of the 74 (22.97%) who practiced agriculture did not own the land on which they did farming, they had access to that natural capital in the form of land. This is in line with the understanding that the use of livelihood assets to engage in certain livelihood strategies is predicated not only on ownership, but also access to the particular assets.

## **5.5.3 Impact of transforming structures and processes on informal livelihoods in Mount Frere**

Based on the findings from this section, it became evident that structures and processes that became apparent during the course of the study manifested themselves in both formal and informal forms. The formal form relates mainly to the punitive environment that seems to curtail

informal activities. With regard to the regulatory environment, street traders who sold small items like bath towels, toys, wallets, belts, sunglasses, rodent killer, hair combs, identity book covers and shaving machines bemoaned the gravity of the situation:

I do not have a permanent trading site and the municipal police occasionally pounce on us. When they do, there is nothing else I can do except plead for leniency as I cannot afford to pay bribes with the small income that I make from this business. Fortunately, sometimes they do understand. (Respondent 63. Interview date: 11 December 2017).

Formal structures and processes that impact on the livelihoods of informal traders do not manifest themselves only at the local government or municipal level, but also at the provincial and national government levels. Those who had intentions to grow and formalise their businesses had serious hurdles to surmount as the process is too complicated for some informal business owners to navigate as testified by a clothing designer as follows:

Government officials told us that for us to get financial support, we needed to register our businesses, acquire tax clearance certificates and draw up business plans. That, however, requires us to have solid cash flows, but the capacity at which we are currently operating does not allow us to do that. (Respondent 34: Interview date, 5 December 2017).

The informal form of structures and processes includes informal associations that govern and regulate operations within specific informal business categories, such as transport. Semi-structured interviews revealed that the two biggest taxi associations in Mount Frere are Uncedo Taxi Association with 150 taxis affiliated to it and Border Alliance Taxi Association (which also houses Amacwerha Taxi Association) with about 250 taxis affiliated to it. Taking into

consideration that a taxi owner must pay a joining fee of R60,000 (to Uncedo Taxi Association) or R10,000 (to Amacwerha Taxi Association) to be allowed to operate a taxi or rural van, respectively, in the area, it is apparent how informal structures that erect high entry barriers into a relatively lucrative informal business venture effectively control the market situation in that particular business category. Not everyone can easily raise that sum of money. Although those kinds of associations, strictly speaking, operate outside the provisions of the law, respondents indicated that it is an evil they had no choice but to live with. They reiterated that those who informally governed the taxi industry did things their own way without any due regard to the law and the taxi operators were aware of the dire consequences of going against them. The taxi business is one in which the entry of foreigners was effectively blocked as probing of respondents revealed that one needed a green bar-coded South African ID and a letter from the Chief of the village of origin in order to be considered for membership of the taxi associations.

The informal form of transforming structures and processes also includes religious, cultural and spiritual beliefs that expressly forbid certain livelihood activities. A 62-year-old welder was baffled when the researcher, with a view to establish the extent of social capital around the entrepreneur, asked him whether he was a member of a rotational informal savings club commonly known as '*stokvel*' in South Africa. He replied as follows:

I am an ardent Zion Christian Church follower. Such an activity is strictly against the teachings of my Church. One has to work and save his own money, not collectively saving it with others and taking turns to share it as they do in '*stokvels*.' Such an activity is unheard of. (Respondent 44. Interview date: 8 December 2017).

Another illustrative example of how structures and processes in the form of cultural and spiritual beliefs (that border on the supernatural) can stand in the way of a livelihood activity was provided by an elderly clothing designer who indicated that she once had an opportunity to diversify her livelihood activities when she successfully applied for funding from the Department



of Trade and Industry (DTI) for a cooperative poultry project. The proposal for funding was approved on condition that she manages the finances since the project had been her brainchild. Fellow community members got jealousy and she withdrew from the whole thing because:

People can be cruel. There are many witches in the community where I live. I did not want to risk getting bewitched, dying and leaving my young children behind. (Respondent 34. Interview date: 5 December 2017).

Nonetheless, not all structures and processes are negative. Some of them can positively shape and reinforce a livelihood as evidenced by a Zimbabwean Apostolic Church sect follower who makes aluminium dishes, plates and buckets out of aluminium roofing sheets. He remarked:

Without taking anything away from the importance of formal education, our belief as Vapostori (apostles) is that true value lies in what we can do with our own hands. I was in formal education only up to Grade 5. The Church has been an important source of the knowledge and skills I possess today as a blacksmith. (Respondent 121. Interview date: 20 December 2017).

#### **5.5.4 Informal traders' livelihood coping strategies in Mount Frere (n = 125)**

The questionnaire findings on the coping strategies that are employed by CBD and mobile traders in Mount Frere to mitigate the effects of the challenges that they face are presented in Table 5.6 below.

**Table 5.6: Frequency distribution of informal traders' coping strategies to mitigate challenges**

	Informal traders CBD (n = 100)		Informal traders Mobile (n = 25)		Informal traders Total (n = 125)	
	<i>Frequency</i>		<i>Frequency</i>		<i>Frequency</i>	
	<i>N</i>	<i>%</i>	<i>N</i>	<i>%</i>	<i>n</i>	<i>%</i>
<b>Lack of money</b>						
a) Buy less stock	52	52	9	36	61	48.8
b) Borrow from relatives	14	14	6	24	20	16
c) Borrow from moneylenders	11	11			11	8.8
d) Borrow from household members	2	2			2	1.6
e) Borrow from friends/neighbours	11	11	4	16	15	12
f) Borrow from other informal traders	2	2	2	8	4	3.2
g) Walk to work	1	1			1	0.8
h) Other	7	7	4	16	11	8.8
<b>Competition</b>						
a) Start early and finish late	39	39	1	4	40	32
b) Sell at cheap price	28	28	2	8	30	24
c) Sell variety	11	11	10	40	21	16.8
d) Other	22	22	12	48	34	27.2
<b>Harassment by SAPS/municipal police</b>						
a) Display a few goods	10	10			10	8
b) Paying bribes	16	16	9	36	25	20

c) Alerting others when police in sight	1	1			1	0.8
d) Run away	6	6	2	8	8	6.4
e) Other	67	67	14	56	81	64.8

Source: Own compilation based on the research findings

The results in Table 5.6 show the coping strategies that informal traders use to mitigate the challenges they face. Findings from the questionnaire indicate that 48.8% of the total informal trader sample (125) responded to the challenge of financial constraints by buying less stock. Other coping strategies, in descending order, were as follows: borrowing from relatives, 16%; borrowing from friends and neighbours, 12%; borrowing from money-lenders/other strategies not on the pre-designed questionnaire, both at 8.8%; borrowing from other informal traders, 3.2%; borrowing from household member, 1.6%; and walking to the market in order to save on transport costs, 0.8%.

Within the above sample, 32% of the informal traders indicated that the main strategy of dealing with the challenge of competition was to have an extended period in the market by starting early and finishing late, selling at a cheaper price, 24%, and the selling of a variety of products (diversification of product range), 16.8%. Informal traders who indicated that they used other strategies aside from the above three accounted for 27.2%.

Moreover, the respondents revealed that the common ways of coping with the challenge of harassment by SAPS or municipal police seemed to be paying bribes, 20%, a strategy that was also employed by respondents in Shabalala's (2014) study; displaying a few goods and hiding the rest, 8%, as was found in Chirau's (2012) study; running away at the approach of police, at 6.4%; and alerting each other when police in sight, 0.8%. In addition, 64.8% said they used other strategies such as pleading for leniency.

Besides the pre-identified coping strategies on the questionnaire that was used for data collection, respondents elaborated on some of these coping strategies in the semi structured interviews as detailed below.

***Coping with the lack of money:*** Through the semi-structured interview, some informal traders indicated that the most common way of coping with the challenge of lack of money was to buy less stock and borrowing from social networks. The networks of social relations include relatives, household members, friends and neighbours and other informal traders. One informal trader indicated that he sometimes walked from his home to the market as a strategy to cope with the challenge of lack of money for transport. The other respondents for instance the welders in the sample indicated that they dealt with the challenge by demanding a deposit amounting to half of the total charge upfront for every job that they were contracted to do. They justified this strategy on the basis that the material they use is costly and employing the strategy stated above was an effective way of cushioning themselves from the risk of clients defaulting on payments after the work was done. Female traders who were members of rotational savings clubs stated that the savings clubs were in effect coping strategies to deal with the challenge of lack of money.

***Coping with competition:*** Some of the informal traders indicated during interviews that they deal with the challenge of competition by starting their work early in the morning and finishing late in the evening, on a daily basis. Selling a variety of goods as a strategy to beat competitors was cited by some informal traders. Even those street traders who did not have other sources of income at least tried to diversify their product range. For instance, one trader would sell fruit, vegetables, women's accessories on the side, together with an assortment of small things such as chips, sweets and cigarettes. A 28-year-old South African hairstylist said:

My secret to coping with competition lies in doing my work exceptionally well. This, in addition to special packages that I regularly avail to my customers helps me gain and

retain customer loyalty. Hairstyling is part of fashion and it evolves so I strive to keep myself up-to-date by continuously learning new styles to ensure that I remain competitive and do not get left behind the trend (Respondent 1. Interview date: 2 December 2017).

The above woman's sentiments were echoed by a 43-year-old South African panelbeater, spray-painter and mechanic who emphasized 'good workmanship' as the effective ammunition against competition. For him one should always strive to:

Strictly adhere to customer specification and making sure that there are no '*comebacks*' (that is repaired vehicles that are brought back by customers after a short time with the same fault for which they were initially repaired, simply because the job was not done properly the first time). (Respondent 16. Interview date: 4 December 2018).

A 37-year-old Somali national who runs a successful restaurant with a monthly turnover of R60,000 had this to say:

In any kind of business, especially retail, the key to coping with competition is to buy lots of stock so that you get discounts, which in turn enables you to charge your customers less. (Respondent 27. Interview date 5 December 2017).

A 25-year-old South African woman, who together with a business partner operates a cooked food outlet from a converted shipping container aired her views as follows:

The cooked food business is now flooded, such that we can no longer get the kind of income that we used to get. Having pride in the dishes you prepare, using fresh ingredients and taking absolute care to prepare nice food that satisfies the customers is the only way to stay afloat in this kind of business. (Respondent 26. Interview date: 5 December 2017).

Giving customers a bit of incentive to buy is for one sheep seller an effective way to beat competitors. He indicated during interview that if a customer buys more than ten sheep he delivers for free within a radius of 40km, instead of charging the R300 that he normally charges for deliveries. Some miscellaneous street traders indicated that selling even on Sundays was their way of trying to up their sales in the face of stiff competition that now characterizes the informal economy in Mount Frere. On Sundays most of the informal traders take time off to rest which increases chances of higher incomes for those who come to the market on those particular days.

Regarding harassment by police, some informal street traders employed the strategy of displaying a few items, so that in the event of confiscation of their goods by municipal police they would not lose the entire stock. Others intimated that they were always on the lookout for municipal police, ready to run away at the first sign of danger.

Some informal traders were skeptical of the strategy of starting trading very early in the morning and finishing late at night as a way of beating competitors and increasing chances to generate more sales. One Nigerian street trader selling an assortment of used clothes and shoes queried the strategy and expressed his reservations as follows:

Finishing late is not an option. Doing that would be tantamount to asking for trouble as after 5pm most of the shops will be closed and there will be lots of criminals milling around (Respondent 72. Interview date: 13 December 2017).

Semi-structured interviewing also revealed that Mobile informal traders felt that mobile trading is itself a coping strategy employed to deal with the challenges of competition, lack of infrastructure and harassment by authorities. Mobile trading particularly defuses the challenge of competition by virtue of the market of mobile traders being, by its very nature, more widely dispersed than that of CBD informal traders.

#### 5.5.5 Livelihood outcomes of informal traders in Mount Frere (CBD & mobile traders, n = 125)

In this study livelihood outcomes of informal entrepreneurship in Mount Frere were measured according to six parameters, which are as follows: income from the informal business; changes in personal and family health; changes in food availability within the household; changes in money available for education; changes in living standard; and perceptions on improvement of status. The questionnaire findings on the livelihood outcomes for CBD and mobile informal traders are shown in Table 5.7 below.

**Table 5.7: Frequency distribution of livelihood outcomes of informal traders**

	Informal traders CBD (n = 100)		Informal traders Mobile (n = 25)		Informal traders Total (n = 125)	
	<i>Frequency</i>		<i>Frequency</i>		<i>Frequency</i>	
	<i>N</i>	<i>%</i>	<i>N</i>	<i>%</i>	<i>n</i>	<i>%</i>
<b>Income from business</b>						
a) More than enough	4	4	2	8	6	4.8
b) Just enough	52	52	14	56	66	52.8
c) Not enough	44	44	9	36	53	42.4
<b>Personal and family health</b>						
a) Greatly improved	21	21	8	32	29	23.2
b) Slightly improved	38	38	11	44	49	39.2

c) Not changed	32	32	6	24	38	30.4
d) Slightly got worse	7	7			7	5.6
e) Greatly got worse	2	2			2	1.6
<b>Food availability in household</b>						
a) Greatly increased	26	26	12	48	38	30.4
b) Slightly increased	50	50	11	44	61	48.8
c) Has not changed	14	14			14	11.2
d) Slightly decreased	8	8	1	4	9	7.2
e) Greatly decreased	2	2	1	4	3	2.4
<b>Money for education</b>						
a) Gone up very much	12	12	5	20	17	13.6
b) Gone up only a bit	17	17	6	24	23	18.4
c) Remained the same	59	59	9	36	68	54.4
d) Gone down only a bit	7	7	3	12	10	8
e) Gone down very much	5	5	2	4	7	5.6
<b>Living standard</b>						
a) Has improved	54	54	18	72	72	57.6
b) Has not changed	37	37	5	20	42	33.6
c) Has decreased	9	9	2	8	11	8.8
<b>Improvement of status</b>						
a) Yes	50	50	18	72	68	54.4
b) No	50	50	7	28	57	45.6

Source: Own compilation based on the research findings

The results on Table 5.7 show the livelihood outcomes of informal traders. The results indicate that the majority, 57.6% of the respondents were of the view that their informal businesses generated enough income as opposed to 42.4% who held contrary views. These findings compare with Ngundu (2010) who found that the women traders in her study generated enough incomes to cover basics such as food and rentals. Also, Ndiweni, Mashonganyika, Ncube and Dube's (2014) study found that 50% of respondents got enough incomes to cover basics. Regarding personal and family health the majority of the respondents, 62.4% believed that their informal businesses had resulted in improvement, whereas 7.2% believed their personal and family health had actually deteriorated since they started their businesses. The remainder, 30.4% had seen no change in their personal or family health. Also, the majority of the respondents, 79.2% asserted that food availability had increased. Relating to money for education, 54.4% of the respondents said money for education had remained the same, followed by 32% who saw an increase in this regard and lastly 13.6% who saw a decrease. Furthermore, 57.6% of respondents



indicated that their living standard had improved as opposed to a minority, 8.8% who indicated that it had decreased. Those who said the living standard had not changed accounted for 33.6%. Narayan (2011) also found that a significant proportion of respondents found that their living standards had improved, with 32% of them having moved from squatter settlements to peri-urban housing following the commencement of their informal trade activities. Overall, 54.4% thought that their status had improved as opposed to 45.6% who thought that it had not.

**Income from the business:** Quantitative questionnaire evidence showed that within the total trader sample (125), the majority, 57.6% indicated that the income they got from their business was enough to cater for their basic needs as opposed to 42.4% who held views to the contrary. Follow-up semi-structured interview evidence reveals that some of those who said the income was not enough had seen better days in the formal sector where they had earned comparatively better. It should, however, be noted that the fact that the respondents stated that income was not enough should not be taken as a pointer to the unsustainability of their respective informal businesses. This is so because in the interviews many respondents always qualified the assertion that income was not enough by adding that if the money was enough there would be no need of continuing to operate the business. The implication was that no matter how much money one makes, it will never be said to be enough. Some mobile informal traders, particularly those of Ethiopian nationality emphasized, during interviews, that although they were not in a position to go back home even if they wished, at least they could now afford to remit some of the income they generated from informal trading to their immediate and extended families back in Ethiopia.

**Personal and family health:** Questionnaire findings show that within the total sample (125), the majority, 62.4% affirmed that their informal business activities had resulted in an improvement in personal and family health. Contrarily, only a few, 7.2% believed that since they started their businesses their personal and family health got worse, while 30.4% saw no change in that regard. The semi-structured interview provided some insight into the responses to the questionnaire. Those who saw no change may perhaps have looked at it from the perspective that public health services are free and they do not have to use their income in that regard.

Others who responded to the affirmative answered the question from the point of view that the income they generated was sufficient for them to buy nutritious food for their families thereby aiding in the improvement of the individual and family's health status. One woman who previously worked in retail in the formal sector looked at the link between informal economic participation and personal health this way:

My health has improved a lot. There is no more being stressed by a nagging boss telling me what to do. I will never consider a formal job again except if it is one that pays R10,000 or more per month. (Respondent 29. Interview date: 8 December 2017).

**Food availability:** Regarding food availability, the majority, 79.2%, according to questionnaire evidence, claimed that since they started informal businesses, food availability within their households had increased, while 9.6% believed food availability had decreased and 11.2% said it had not changed. In follow-up interviews, many respondents reiterated the fact that although the income was, strictly speaking, not enough, at least they could afford to provide sufficient food for their families, albeit the cheaper varieties on the market. For entrepreneurs who sold cooked food, regardless of the fact that on certain days they could not sell all the food they prepared they did not count it as a loss as they used the left-over food from the business for home consumption. This therefore bodes well for availability of food within the household.

**Money for education:** The majority, 54.4% said the money they spent on their children's education had remained the same, while 13.6% claimed that it had gone down and 32% said that it had gone up. The fact that for the majority the businesses had not resulted in an increase in the amount of money they spent on education for their children may be explained as being a result of the fact that in South Africa basic education is fully subsidized by the government, which considerably takes away the burden for its funding from the parents. Through the semi-structured interview, the researcher gathered that mobile traders, of Zimbabwean origin, had an idea of sustainable livelihood outcomes that centred on being able to send their children to good

schools using the income they got from informal trading. All of them emphasized that at least their income was enabling them to send their children to good boarding schools.

**Living standard:** From questionnaire results, the majority, 57.6% were of the opinion that their living standard had improved as opposed to 8.8% who thought it had decreased and 33.6% who saw their living standard as having remained the same. Crucial to note is that subsequent semi-structured interviewing revealed that those who considered their living standard to have gone down previously held formal jobs that paid better than the income they got from their informal businesses.

**Improvement of status:** According to questionnaire results, the majority, 54.4% indicated that their businesses had resulted in an improvement of their status, whereas, 45.6% believed their status had not improved. Based on this finding and on follow-up semi-structured interviewing, one can safely say that participation in the informal economy in Mount Frere results in increased well-being. The mere participation regardless of the income one stands to generate, converts people from being despondent, unemployed poor people to actively contributing and self-provisioning individuals. The improvement of status also means that other people look up to the entrepreneur. This was neatly summarized by a Senegalese trader who sells new shoes and clothes that include expensive brand names. He said:

When you have people looking up to you and coming to ask how they can go about running businesses such as yours, then, my brother, you know you have earned their respect. (Respondent 14. Interview date: 3 November 2017).

In the final analysis, while some who got into the informal economy as a result of unemployment continue to languish in poverty, in low-return street vending, others have entered in there as a result of unemployment, but somehow managed to craft their way up to the top, accumulating

various capitals and other sustainable livelihood outcomes in the process. A typical enlightening case was a traditional medicine seller who, when interviewed, confided in the researcher as follows:

I got into this business as a result of unemployment, when I failed to secure a job after completing matric, but now I do not, even for a second, doubt that I made the right decision. Today I am a proud owner of two cars and three houses, one in Mount Free and the other two in Kokstad and Port Edward. With the income that I get from this business I have also managed to put my wife through university. In a bad month, I do not make a net profit that is below R25,000. (Respondent 44. Interview date: 8 November 2017).

During the interview, the entrepreneur produced monthly financial statements to substantiate the claims he made concerning monthly income from the business.

#### **5.5.6 Other livelihood activities (diversification) used by informal traders in Mount Frere**

According to the evidence from this study, the livelihoods of informal traders in Mount Frere are far from being singular, that is, they involve more than one livelihood strategy. Questionnaire evidence shows that out of a total trader sample of 125 (both CBD and mobile informal traders), 57.6% indicated that they had other sources of income besides the informal businesses they operated as opposed to 42.4% who said they did not. These findings support findings by Mubaiwa (2014) and Chirau (2012) who found that informal traders had other sources of income. The results, however contrast findings from other studies (Ndiweni et.al., 2014) who found that 100% of respondents had the informal business as their only source of income and Martins and Lighthelm (2004) who found that 83.8% of respondents had no other source of income besides the informal business they operated. Other studies that generated contrasting findings to this study with regard to diversification include Ngundu (2010) and Chilwalo (2015). The proportion of traders with diversified strategies actually goes higher if the definition of

livelihood diversification is broadened to include those traders (59.2% of total trader sample, 125) who professed that they partook in agriculture, though for some of them it was not with the express objective to sell the produce per se, but to supplement their family diet.

Livelihood diversification among informal traders in Mount Frere takes many forms. For some it takes the form of combining formal employment and informal economic activities. For others it takes the form of combining different types of informal activities. For, yet others it takes the form of combining informal business activities with transfers received from the state or remittances from family and kin working elsewhere. The first two types of diversification are discussed below.

#### ***5.5.6a Formal employment combined with informal business activities***

An example of combining formal employment with informal entrepreneurship is seen in the study where two respondents who are qualified high school teachers operate rural passenger van transport businesses. They both work full time jobs. The difference between them is that respondent 47 only operates his business on Saturdays, Sundays, public holidays and school holidays since he does not have someone to drive his van for him. Respondent 48's business is operated full-time. While he is at his formal work, a paid employee drives the passenger van and on weekends and holidays he gives his employee time off and drives the van himself. Both informal business operators gave the rationale for operating informal businesses simultaneously with formal employment. Respondent 47 said:

Although the income that I get from this business is small, it is significant enough to cover our monthly grocery needs and other basic household expenses. That allows me to invest almost all of the salary I get from my teaching job. (Respondent 47. Interview date: 8 December 2017).

For Respondent 48 diversifying into the informal economy is not only about the financial benefits he stands to reap from it, as it allows him to put into practice the skills he acquired in the formal sector. He articulated his position as follows:

I am a business studies teacher. Running an informal business allows me to put into practice what I teach my learners. That improves the effectiveness of my performance in my formal teaching job as I can always relate that practice to the theory that I teach at school. Besides this business I also get income from transporting the other teachers I work with. I take advantage of the fact that they do not want to take their cars deep into the rural areas where our school is as the road is quite treacherous. So I transport 16 of them in my truck, to school and back to town. They pay me at the end of every month. (Respondent 48. Interview date: 8 December 2017).

The bottom line of the above examples that were unearthed during fieldwork is that livelihood diversification that involves merging formal work with informal activities in Mount Frere is only open to those who have considerable financial capital to invest and is usually diversification into relatively high-return informal business activities such as transport.

#### ***5.5.6b Diversification between informal activities***

From the study of informal traders in Mount Frere it was apparent that among those who operate at the very edges of the economy diversification was between low-return informal activities which were not very well-coordinated. Within the miscellaneous informal trader category (40), 42.5% stated that they did not have another source of income. Even for those who stated that they had another source of income, it was either a measly child support grant, 22.5%; disability grant, 2.5%; old age pension, 12.5%; recycling empty cans, 2.5%; renting out rooms in one's house, 2.5%, remittances, 12%, or a spaza, 2.5%. Among the miscellaneous informal traders were also two Zimbabweans who cited informal cross-border trade as their other source of income. The only example of considerable livelihood diversification among miscellaneous street

traders was of a potato seller who also doubled up as the owner of a successful bakery, which he started with a loan obtained from the Eastern Cape Development Corporation (ECDC). His bakery, which is rather an SME, boasts of a monthly turnover of above R100,000. He also happened to be a renowned farmer who produced potatoes, which he sold in the informal market.

Interestingly, some of the women interviewed referred to rotational group savings clubs, not only as a strategy to save money, but rather as another source income and an essential component in the overall structure of their portfolio of livelihood strategies. What is apparent in the findings is that if there was no diversification at the individual trader level, at least there was diversification at the household level as some traders, especially in semi-structured interviews, cited spouse's source of income as another source of income. In line with this reasoning a mobile informal trader from Zimbabwe said:

The income that I make is not enough, but at least it is only to supplement the income from the better-paying welding business that my husband does. (Respondent 39: Interview date: 8 December 2017).

Semi-structured interviews with mobile informal traders also revealed a level of livelihood diversification that entailed combining mobile trading in areas surrounding Mount Frere with cross-border trade. A 57-year-old Zimbabwean woman who sold clothes, shoes, duvets and bed-sheets explained how she combined mobile trading in Mount Frere with cross-border trade between South Africa and her native country, Zimbabwe as follows:

I go back to Zimbabwe once a month. I buy items here for resale in Zimbabwe. I buy bicycles and cellphones here in South Africa, which I sell for cash back in Zimbabwe. On my periodic returns to Zimbabwe I also go there with lots of groceries, which I take to my rural home and barter trade the groceries in exchange for groundnuts and mealies,

which I then sell in the big cities there in Zimbabwe. I make quite a considerable profit from it. On my return to South Africa, I bring art and craft products such as reed mats, door-mats made of sisal fibre, cooking sticks and hats and baskets made of straw. I also bring delicacies that I know Zimbabweans who are resident here in South Africa want, but cannot get locally such as kapenta (dried fish), madora (mopane worms) and home-made peanut butter. (Respondent 102. Interview date: 18 December 2017).

It is evident from the above quotation that Respondent 102's livelihood strategies go beyond mobile informal trading around Mount Frere, to include cross-border trade and an element of barter trade.

Respondent 112 is a 49-year-old Zimbabwean man who operates as a mobile trader in Mount Frere, selling clothes, blankets, kitchen utensils, foam mattresses, carpets, art and craft items and wooden cooking sticks. Besides selling these items in the villages he also operates an informal cross-border courier business between South Africa and Zimbabwe. The goods he transports from South Africa to Zimbabwe include furniture, clothing, groceries and electrical appliances such as television sets, refrigerators and stoves. His clients are Zimbabweans who live and work in South Africa and periodically buy and send the above-mentioned goods to their families and relatives back in Zimbabwe. While waiting for his load to get full (which takes several weeks, he operates his mobile trading business in Mount Frere. When he goes back home, in addition to the load of goods he transports on behalf of his clients, he also buys clothes which he sells in his flea market back in Zimbabwe. This case illustrates a web of interlinked livelihood strategies that include mobile trading around Mount Frere, cross-border courier business and a flea market. According to Respondent 112 that web of livelihood diversification is necessary, and pays dividends, as it enables him to raise enough income to send his two children to school, both of whom are in boarding school.



Out of the sample of 25 mobile traders, 44% also engage in cross-border informal trade. These findings are consistent with Peberdy's (2000) study that migrant informal traders in South Africa also simultaneously engaged in cross-border trading.

### 5.5.7 Livelihood Support of informal traders in Mount Frere

The questionnaire results of livelihood support that is required by CBD and mobile informal traders in Mount Frere are captured in Table 5.8 below.

**Table 5.8: Frequency distribution of Livelihood support required by informal traders**

	Informal traders CBD (n = 100)		Informal traders Mobile (n = 25)		Informal traders Total (n = 125)	
	<i>Frequency</i>		<i>Frequency</i>		<i>Frequency</i>	
	<i>n</i>	<i>%</i>	<i>N</i>	<i>%</i>	<i>N</i>	<i>%</i>
<b>Required livelihood support from government, private sector, donors, NGOs</b>						
a) Credit/loans	53	53	13	52	66	52.8
b) Business management training	9	9	7	28	16	12.8
c) Casual paid jobs	7	7	0	0	7	5.6
d) Skills development programmes	9	9	1	4	10	8
e) Other	22	22	4	16	26	20.8
Total	100	100	25	100	125	100

Source: Own compilation based on the research findings

The questionnaire results captured in Table 5.8 show the Livelihood support required by informal traders. Based on the results, four main areas were identified with regard to livelihood support. These are credit/loans, business management training, casual paid jobs and skills development programmes. According to the perceptions of informal traders in the total sample (125), the majority, 52.8% believed that livelihood support should be centered on facilitation of access to credit/loans. **Access to loans** is particularly important when one considers that previous research (Woodward, Rolfe, Lighthelm & Guimaraes, 2011) on a wide range of informal traders found that the size of capital was one of the variables, which had a substantial impact on income and sustainability. Those who were of the view that business management training should be the fulcrum around which support should revolve accounted for 12.8%, whereas 8% were all for skills development programmes.. These two factors are important to the success of informal entrepreneurship as the lack of skills has previously been cited (Phillip, 2011) as being one of the factors that have resulted in the relatively small informal entrepreneurship in South Africa. The need for provisioning of casual paid jobs was cited by 5.6% of the respondents. This factor, although not directly linked to informal businesses was previously found by the Association of Chartered Certified Accountants (ACCA, 2017) to be necessary as it will reduce overdependence on state transfers such as grants.

Questionnaire data showed that just above 20% of the respondents responded that they required other support that lies outside the net formed by the above livelihood support focal points. Semi-structured interviewing revealed that the other support required by especially CBD traders included infrastructure to cater for those without permanent trading sites. In a previous study, Woodward et.al. (2011) found that the lack of a permanent trading stand had a potential negative effect on income especially where the trader sold small items. Infrastructure would also include proper shelter to protect traders from harsh weather. Migrant mobile informal traders advocated for simplification of the permit application process and relaxation of stringent visa conditions, as without proper documentation it was difficult for them to operate their informal businesses, let alone get access to credit and loans. This finding is in line with Woodward et.al. (2011) who found that lack of proper documentation subjected migrant informal traders to threats of deportation, which compromised the sustainability of their informal businesses.

Follow-up semi-structured interviewing revealed that most of the CBD informal traders were keen on support that would enable them to exit the informal economy altogether and make the transition into paid, relatively stable and secure formal employment. This would, however, necessitate them being equipped with the relevant skills, in order for such transition to be possible. This can be related to the finding on the need for support in skills development referred to above. Through both the questionnaire and semi-structured interview, informal traders of South African origin (all of whom fall within the CBD informal traders' category) indicated that although their participation in informal entrepreneurship left them with very little time to engage in farming on a large scale they still needed support with their farming activities. Others advocated for community income generating projects in the form of cooperatives basing their views on examples they had seen elsewhere. This shows that the livelihood support that informal traders need does not entirely revolve around issues of informal entrepreneurship but is rather cross-cutting, including many other spheres and sectors from which informal traders derive their livelihoods.

### **5.5.8 Conclusion on sustainability of informal trading in Mount Frere**

Analysis of the livelihood strategies of informal traders in Mount Frere considered the following aspects: the vulnerability context of the traders; the livelihood assets that the traders use; the traders' coping strategies in the face of crises; the impact of structures and processes on the livelihood strategies of informal traders; and livelihood outcomes realized by the traders. Findings show that the vulnerability context of informal traders in Mount Frere is shaped by poverty and unemployment. The traders used all forms of capital (financial, social, human, physical and natural). Transforming structures and processes that impact on livelihoods of the traders are both formal and informal. Informal traders mainly coped with challenges such as lack of money, competition and harassment by buying less stock, being in the market for extended periods of time and paying bribes, respectively. The majority of informal traders believe that the income they get from their informal activities is enough to cater for food, health and education. The majority of informal traders have diversified livelihood strategies. However, the form that diversification takes differs. Informal entrepreneurs in high return informal activities have their

livelihood strategies diversified between formal employment and informal entrepreneurship. Diversification among traders in low return activities like street vending was into small other income sources such as state transfers and remittances.

## **5.6 SUMMARY OF THE FINDINGS**

This chapter presented the findings from the study of the livelihood strategies of informal traders in Mount Frere. The findings are based on a sample of 125 informal traders broken down as follows; one sample consisted of 100 CBD traders and the other sample consisted of 25 mobile traders. Data collection consisted of the use of the questionnaire on all the 125 respondents, which is backed by 20 semi-structured interviews which build on what had already been captured in the questionnaire. The first part of this chapter looked at the regional distribution of the response rate, which was pegged at 100% as all the questionnaires were accounted for.

The second part of the chapter relayed the empirical findings in three sections as follows: section 1 provided the descriptive information of respondents, covering three aspects, namely; demographic profiles of respondents, business profiles of informal traders and reasons for informal entrepreneurship cited by the traders; section 2 presented the challenges as well as the major disadvantage of informal entrepreneurship; and section 3 deployed the sustainability framework to the analysis of the livelihood strategies of informal traders in Mount Frere.

According to the results generated in this study, informal entrepreneurship in Mount Frere is dominated by males. This is true in relation to both CBD informal traders and mobile informal traders and confirms findings from some studies (Chilwalo, 2015; Stats SA, 2017), while contrasting findings from others (Hope & Lekorwe, 1999; Narayan, 2011). The majority of the sampled informal business operators in Mount Frere, in both CBD traders and mobile trader samples have secondary education, which is consistent with the view, which associates informal economic participation with low levels of education, echoed by the findings from previous studies in other countries such as Zambia (Chilwalo, 2015) and Zimbabwe (Mashonganyika

et.al., 2014; Ngundu, 2010). Some studies, however, produced evidence that refutes this finding (Peberdy, 2000; Saunyama, 2013).

The majority of the informal traders for both samples had been operating their informal businesses for a period above 10 years. The majority of the informal traders (both CBD informal traders and mobile informal traders) worked in their businesses full-time. That is to say they worked in their informal businesses for not less than six days per week and for not less than seven hours per day. These findings tally with results from elsewhere (Martins & Lighthelm, 2004) where it was found in four South African cities that the majority of traders worked in their informal businesses full-time, often as their only source of income. Likewise, in Zimbabwe (Chirau, 2012), it was found that women traders at Magaba in Harare worked full-time in their businesses.

In Mount Frere, the majority of both CBD informal traders and mobile informal traders were pushed into the informal economy by unemployment and poverty and would readily dump their informal economic activities if a suitable opportunity became available in the formal sector. These findings correspondent with results from other studies (Chen, 2012; Chirau, 2012; Skinner, 2006). The sole motive to enjoy the benefits of self-employment or to get an increased income only came secondary among the reasons for joining the informal sector.

The top five challenges that faced CBD informal traders, in descending order, are as follows: competition, which confirms findings in previous studies (Phillip, 2011; Ngundu, 2010); inadequate infrastructure, which results in lack of protection from bad weather, which corresponds with evidence provided by Tshofuti (2016); high levels of crime, in line with prior research (Hartnack & Liedeman, 2016; Shabalala, 2014; harassment by municipal police, as found previously by Chilwalo (2015) and Chirau (2012); and inadequate finances, as reflected in results of previous research (Willemse, 2011). The top five challenges that face mobile traders, also in descending order, are as follows: rampant crime; stiff competition; inadequate

infrastructure, which results in a lack of permanent trading sites; lack of access to loans; and harassment by the police. The top 5 challenges are the same for both samples although their magnitude in the respective samples differs. For example, competition was cited as the major challenge by CBD informal traders, while crime emerged as the topmost challenge in the case of mobile informal traders.

Uncertain income was cited by respondents in the two samples as the major disadvantage of working in the informal sector. This confirms the results in Ngundu's (2010) study where informal traders in Chegutu, in Zimbabwe cited uncertain income as the major drawback of working in the informal sector. Limited access to credit emerged, in terms of frequency as the second major disadvantage of working in the informal sector. Shabalala's (2014) revealed limited access to credit, alongside crime as the major drawbacks of working in the informal sector. The latter emerged in this study as the third major disadvantage of working in the informal sector. Other researchers (Hartnack & Liedeman, 2016) reiterate this finding.

From the perspective provided by the sustainability framework, the findings from the study point to unemployment and poverty as the key factors that frame the vulnerability context of informal traders in Mount Frere. This is consistent with the literature (Chen, 2012; Skinner, 2006) that portray poverty and unemployment as the push factors that result in people resorting to informal economic activities as a livelihood strategy. The results from the study strongly motivate the argument embodied in prior studies (Chilwalo, 2015; Chirau, 2012) that informal traders use all forms of capital. The majority of traders in this study used financial capital in the form of 'own savings' to embark on their various informal business ventures. Where financial capital was not readily available they borrowed from networks of social relations, such as friends, relatives, neighbours and other informal traders, thereby transforming social capital into financial capital. This finding is akin to previous empirical findings (Chu & Benzing, 2007) where it was found that Ghanaians turned to relatives and friends in order to access financial capital needed for business start-up. The evidence also shows that social capital took many forms that included, sharing information and rotational savings clubs. The former reinforces the literature (Akoten &

Otsuka, 2007; Lyons, 2005), while the latter reflects findings from previous research (Chirau, 2012). Both CBD traders and mobile traders relied on physical and human capital, though to varying degrees, to support their trade activities. They also used physical capital in the form of machines and the infrastructure that supports their livelihood activities. Human capital, in the form of good health, knowledge and skills, was also of essence to them as close to 100% professed that they were in good health and did not suffer from any ailments that would compromise their ability to partake in the informal economy. Many of them directly made use of skills and knowledge acquired in both the formal and the informal economy. There is, however, little evidence of direct reliance on natural capital apart from its use for agricultural purposes, which are not directly related to the informal businesses as both samples indicated that farming was mainly for subsistence purpose.

The results from this study show that transforming structures and processes impact on the livelihood strategies of informal traders in Mount Frere at both informal and formal levels. The impact is perhaps more crippling at the informal level where it manifests itself in the form of a prohibitive regulatory environment that has been a subject of discussion by previous researchers (ACCA, 2017; Hartnack & Liedeman, 2016; Sustainable livelihoods Foundation, 2016).

Informal traders' main response to the challenge of lack of money was to reduce the amount of stock they bought although some depended on their social networks in the face of such a challenge. Informal traders who operate within town responded to the challenge posed by competition by lengthening the time of operating that is starting early and finishing late, including working on Sundays. Regarding harassment by police, payment of bribes seemed to be an automatic response and begging for leniency was an alternative where one could not afford to pay bribes. Semi-structured interviewing also revealed that Mobile traders felt that mobile trading was itself a coping strategy employed to deal with the challenges of competition, lack of infrastructure and harassment by authorities.

There were mixed feelings regarding livelihood outcomes, but the findings point to an overall picture that even in cases where the activity has not resulted in accumulation of capital, informal trading has at least managed to take individuals and households out of the extremes of poverty and deprivation. In other exceptional cases informal trading in Mount Frere has led to a decent standard of living that surpasses those in comparable formal sector employment. Other studies confirm this (Chilwalo, 2015; Saunyama, 2013). Ndiweni et.al. (2014), Narayan, (2011) and Ngundu (2010) expressly pointed out that participants in their respective studies believed that informal trading had resulted in decent incomes, increased food availability within the household, better health and education for the family and, on the whole, improved living standards. Just like what Chirau (2012), Mubaiwa (2014) found in their own studies in Harare and Cape Town respectively, the majority of informal traders in Mount Frere had other sources of income besides the businesses they operated. This contrasts with Chilwalo who found informal traders in Zambia to depend entirely on informal trading. The majority of informal traders in Mount Frere require funding which includes improved access to credit. The next chapter builds on these findings to draw conclusions and proffer recommendations.



## **CHAPTER 6**

### **CONCLUSIONS AND RECOMMENDATIONS**

#### **6.1 INTRODUCTION**

The previous chapter presented the findings from the fieldwork in this study on understanding sustainable livelihood strategies of informal traders in Mount Frere. The current chapter presents conclusions on the theoretical and empirical findings presented in the previous chapters and based on these conclusions, recommendations will be proposed. This chapter will be divided into six parts: conclusions from empirical findings; achievement of objectives; recommendations; limitations to the study; possible areas for future research; and conclusion.

#### **6.2 PART A: CONCLUSIONS FROM EMPIRICAL FINDINGS**

Based on the empirical findings from the study seeking to arrive at an understanding of sustainable livelihood strategies of informal entrepreneurs in Mount Frere, certain issues emerge, which lead to the drawing of the following broad conclusions:

##### **6.2.1 Conclusion on descriptive demographic findings**

The fact that the majority of traders have low levels of education (secondary level and below) may be a pointer to a deep-rooted problem regarding access to and/or adequate provision of education and related services in the Eastern Cape. In relation to traders of South African origin, it may, in fact, be connected to the historical factors like apportionment of inferior education to the former homelands (Aliber 2003; Hadju, 2006) under apartheid and the weak education and training that have left people in the Eastern Cape relatively disadvantaged. This perhaps has resulted in them being poorly equipped in terms of human capital in the form of skills and knowledge. This in turn diminishes their prospects of getting more rewarding, stable employment and relegates them to the informal economy.

### **6.2.2 Conclusion on business profiles of informal traders in Mount Frere**

As the findings in the previous chapter reveal, the majority of informal traders have no formal employment history, have been operating their businesses for more than ten years and engage in their informal business activities on a full-time basis (not less than six days per week and not less than seven hours per day). Informal entrepreneurship in Mount Frere, therefore, emerges as a full-time viable alternative to formal employment where the latter is scarce.

### **6.2.3 Conclusion on reasons for informal entrepreneurship**

According to the findings, poverty and unemployment were cited as the main reasons that pushed people in Mount Frere into the informal economy. When probed, most of the traders expressed readiness to leave the informal sector if suitable job opportunities became available in the formal sector, which makes informal economic participation in Mount Frere a stopgap for people who would rather be in formal employment. Only a minority indicated that they became informal traders as a result of pull factors (to get increased income and also valued the independence of self-employment). Based on these findings it can be concluded that informal trading in Mount Frere is more a survival-led livelihood strategy, out of dire necessity, than it is a deliberate pursuit of opportunity entrepreneurship.

### **6.2.4 Conclusions on challenges faced by informal traders in Mount Frere**

- Based on the research results, the five biggest challenges that face both CBD and mobile informal traders in Mount Frere are competition, inadequate infrastructure, crime, harassment by police and financial constraints. What is clear from these challenges is that they all lie outside the control of the informal traders.
- The root of the challenge of competition in Mount Frere's informal sector is the lack of alternatives or options, which result in people flooding the 'tried and tested' lines of informal activity such as street trading, hairdressing and selling cooked food. What makes the competition more poignant is that in relation to street trading, which happens to be by far the dominant informal activity in Mount Frere (as shown in table 5.1), is that

it is not only between the informal traders themselves, but also between the informal traders and big established businesses.

- Since many respondents cited ‘no protection from weather’, ‘no permanent trading site’ and ‘inadequate shelter to store goods,’ the researcher concluded that the challenge of inadequate infrastructure (a form of physical capital) is a major issue in Mount Frere’s informal sector.
- Financial constraints such as ‘*lack of money to buy stock*’, ‘*lack of money for transport*’ and ‘*lack of money to expand the informal business*’ all point to limited, if at all available, access to forms of credit such as bank loans and other forms of financial capital. The challenge of financial constraints was compounded by what respondents perceived to be the unpredictability and irregularity of income, which was revealed by respondents to be the major disadvantage of working in the informal sector.
- Harassment by police (SAPS and municipal), which took many forms including punitive measures such as confiscation of goods point to an intolerant and unaccommodating regulatory environment that characterises the informal sector in Mount Frere.
- Crime poses a major threat to informal businesses in Mount Frere and its impact is felt more in the case of mobile traders.

### **6.2.5 Conclusions on sustainability of informal trading in Mount Frere**

- As the majority of the traders cited poverty and unemployment as the reasons behind their decisions to start informal trading, it can be concluded that the *vulnerability context* of informal traders in Mount Frere is shaped by poverty and the vulnerability that comes with being unemployed.
- Although all the other *assets* (particularly financial, physical and human) are indispensable to informal traders’ activities, the findings demonstrate that social capital is the most important form of capital to informal traders in Mount Frere as it allows the traders to access other forms of capital. For example, by borrowing money from friends the informal traders gained access to financial capital through social capital; by borrowing tools from fellow traders, which was common among welders, traders got access to physical capital through social capital. Also, the majority of traders learned the

skills and knowledge that were relevant to their operations from networks of social relationships. In that respect, access to and acquisition of human capital was achieved through social capital. Social capital was also the basis on which rotational group savings clubs (RGSCs) (which were testified to be a valuable cushion in time of crisis) were formed.

- Informal trading as a livelihood strategy in Mount Frere is mainly constrained by *transforming structures and processes* (the regulatory environment) in the form of municipal by-laws. The majority of the traders indicated, both expressly and implicitly that they were aware of the monthly licence fees that are payable to the municipality, but sometimes they failed to make regular payments, which made them vulnerable to harassment and confiscation of their goods.
- The *livelihood strategies* of the majority of traders in Mount Frere are diversified as opposed to being singular (although in some cases income diversification lacked sophistication, being only at a very simple and elementary level). That is to say, the informal entrepreneurs in Mount Frere do not solely rely on informal trading for their livelihoods, but rather earn their living through diversified strategies that included: renting out rooms; operating a spaza; state transfers and remittances; engaging in cross-border trading; and combining formal employment with informal entrepreneurship.
- Although in most instances informal trading in Mount Frere has not resulted in accumulation of capital, it is in the basic sense *sustainable in terms of livelihood outcomes*, in that the majority of the traders claimed that they got enough income to cater for basics such as food, shelter, health and in some cases education for their children.
- The best way the informal traders in Mount Frere can be rendered *support* is through improved access to finance as the majority of them indicated that they needed support in the form of access to loans. They, however need other kinds of support in the form of infrastructure, skills development and business management training.

#### **6.2.6 Other conclusions**

- The informal sector in Mount Frere, besides being a source of self-employment is also an important source of informal wage employment, as evidenced by a number of

respondents who indicated, both in formal interviews and in informal conversations with the researcher, that they were not the owners of the businesses in which they worked, but were working for someone else. This conclusion also carries substance when one considers that some informal business owners indicated that they had, at least, a paid employee assisting in the business.

- There are indications that informal economic engagement has not improved the fortunes of those who were previously formally employed. However, that does not in any way detract from the value of the informal economy to their livelihoods as their standards of living have not deteriorated and left them worse-off than before they started informal economic activities. The informal economy has thus, at least, enabled them to maintain the same level of living they had during their stint in the formal sector.
- There are mixed sentiments regarding remittances. For some they are important, for instance a street trader who sells herbs, sweets, chips, and potato and maize seedlings acknowledged that she often relies on remittances from her son who works as a security guard in Margate, in KwaZulu Natal Province, to replenish stock for her informal business. Conflicting sentiments were voiced by an elderly welder who, when asked by the researcher if he received any remittances from children working elsewhere, retorted:

I make my own money. I do not need my children's. Besides they have their own lives to sort out and their own personal needs to cater for.

(Respondent 44. Interview date: 8 December 2017).

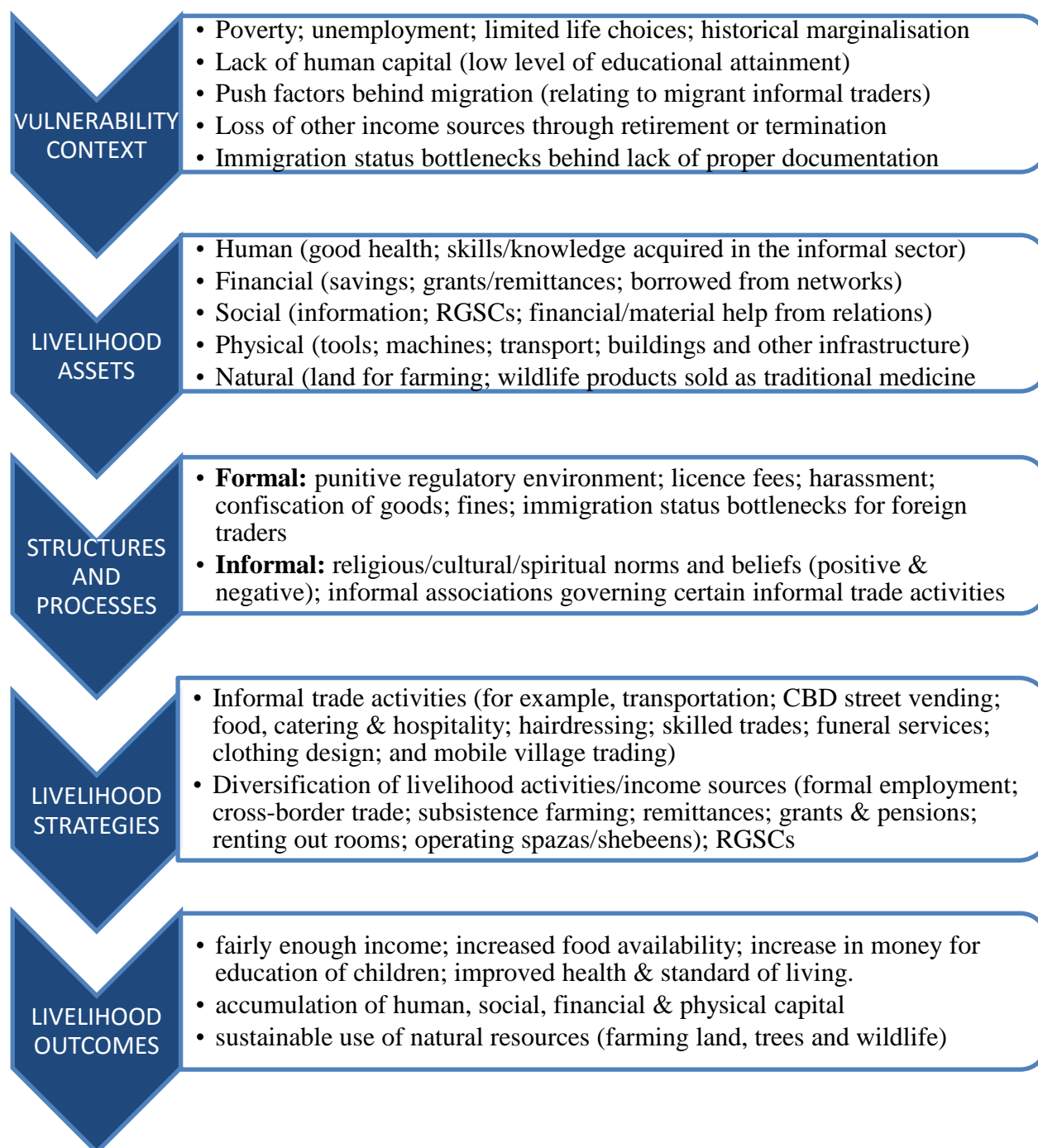
- Evidence from this study reveals not a declining importance of agriculture in the livelihoods of informal traders or a substitution of farming by informal entrepreneurship. What is rather apparent is a reduction of the scale at which people partake in agriculture due to competing interests that make a demand on the time available to them and the diversity of livelihood strategies, which now more increasingly than ever before include informal economic participation. Despite its declining commercial value, if anything, agriculture among informal traders in Mount Frere still holds a place as a source of infinite sentimental value. This is reflected in the sentiments of an informal potato seller

who sells potatoes from the back of his bakkie at a street stall and also owns a successful bakery (which falls within the small and medium enterprise category), with a monthly expenditure of R300,000. He had this to say:

Yes, my bakery is fairly successful and competitive, but what I am proud of above everything else are my potatoes, which I grow on a 3 hectare piece of land. I even produce enough to supply big formal shops like Spar (Respondent 61. Interview date: 11 December 2017).

Based on the above conclusions drawn from the findings of the study, the sustainable livelihood strategies of informal traders in Mount Frere can be diagrammatically presented as depicted in the framework below. It is, however, important to note that the downward pointing arrows in the diagram simply show that the five components that make up the framework are interconnected. The framework should, therefore, not be read as a prescriptive clear-cut progression of how sustainable livelihoods of informal traders are achieved. Rather, there is often direct feedback between components that are not necessarily presented in the figure below as coming after one another. For example, instead of seeing the **livelihood assets** component of the framework as being entirely shaped by the **vulnerability context** that is depicted to precede it in the diagrammatic presentation below, financial capital accumulated as a livelihood outcome can feedback directly into the **livelihood assets** component of the framework, whereby the financial capital can be invested in and used in the growth of the informal business. Similarly, **structures and processes**, instead of being perceived to be merely challenges that mediate between **livelihood assets** and **livelihood strategies**, determining the conversion of the former into the latter, can themselves be understood as directly feeding back into the **vulnerability context**. For example, in relation to migrant traders, the issue of immigration status bottlenecks, besides being part of the transforming structures and processes that stand in the way of their livelihood strategy also adds to the vulnerability that drives some of them into the informal economy as without proper documentation their chances of being absorbed into the formal economy are minimised.

**Figure 6.1 Sustainable livelihoods framework for CBD and mobile traders in Mount Frere**



Source: Researcher's own compilation based on SLF (Figure 3.1) and the empirical findings.

### **6.3 PART B: ACHIEVEMENT OF THE OBJECTIVES OF THE STUDY**

This section focuses on ascertaining whether the objectives formulated in chapter one were realized. The aim of this study was to understand sustainable livelihood strategies of informal traders in Mount Frere, while the secondary objectives of the study were as follows;

- To review prior studies on informal traders around the world and in South Africa.
- To review prior studies on the livelihood strategy.
- To understand the character of livelihood strategies of informal traders.
- To identify the various challenges or problems faced by informal traders.
- To examine the strategies adopted for coping with ongoing crises as part of the empirical study.
- To provide recommendations, based on the findings from the fieldwork, on how traders can accomplish a sustainable livelihood through their trade activities.

Pertaining to the first objective, *to review prior studies on informal traders around the world and in South Africa*: This objective was achieved in chapter two of the literature chapters, where it was established through an extensive literature review that informal trade is not only a preserve of countries in the developing world, such as South Africa, but is evident across the world, including in the most developed and highly industrialised first-world countries (Medina & Schneider, 2017). It was also established that people are pushed into the informal economy by various reasons that include on the one hand poverty, unemployment and the struggle for survival and, on the other hand, a desire to exploit available business opportunities with a business growth-oriented and asset accumulation vision.

With respect to the second objective, *to review prior studies on the livelihood strategy*: This objective was achieved in chapter three of the literature chapters where it was gleaned from the literature that the livelihood strategy is far from being static, but is rather dynamic and is to a large extent determined by the social, economic, political and environmental conditions that shape the vulnerability context that people find themselves in. In a way to satisfy this objective, the researcher has assembled together pieces of evidence that point to instances of livelihood



diversity, to such an extent that it becomes more accurate to talk of a *diversity of livelihood strategies* as opposed to *livelihood strategy* when trying to understand how an individual survives and makes a living. At the same time, the researcher deployed the sustainable livelihoods approach as a theoretical framework through which to understand how the livelihood strategy at the micro or individual level is shaped by the capitals or assets that the people possess, as well as how the policies and structures that exist at the meso and macro levels either constrain or enable a livelihood strategy to flourish. In view of this fact the livelihood strategies pursued by individuals in rural South Africa have been portrayed as being an inescapable by-product of the structural and historical processes to which the country was subjected.

To satisfy the third objective, *to understand the character of livelihood strategies of informal traders*: This objective was achieved, in part, through an extensive literature review in chapter three of the literature chapters and, in part, empirically through fieldwork where, in both instances, it was established and demonstrated that the livelihood strategies of informal traders are characterized by reliance on all forms of capital although the importance accorded to one form of capital over the others varies from trader to trader. The capitals are roughly grouped into financial, social, human, physical and natural. Informal traders use *financial capital* obtained from savings, remittances, borrowing from neighbours, friends and relatives. They also directly depend on *human capital* (the knowledge and skills they acquired from both formal and informal systems, as well as good health and ability to engage in the activities that they do). Evidence and testimonies from the fieldwork also build a strong case for direct dependence on *social capital*, in one form or the other. Examples of manifestation of social capital include networks used as a source of financial support in time of crisis; instances whereby informal traders delegate caring of their children to relatives and friends in their absence from home due to their informal market commitments; some form of rudimentary associations within which traders share information, knowledge, skills and expenses and within which in some cases, group savings clubs are formed. Informal traders also use *physical capital* in the form of infrastructure such as roads, electricity and water supplies as well as the machines that they use in their operations. Some informal traders, for example natural medicine sellers depend directly on *natural capital* as they harvest tree bark, roots and leaves and also wild animal products which

they sell in the informal market. Although not directly related to the businesses they operate, all informal traders use natural capital in the form of land to support their livelihoods as most engage in subsistence agriculture.

Regarding the fourth objective, *to identify the various challenges faced by informal traders*: This objective was achieved in chapter five. The fieldwork provided evidence of a multiplicity of challenges that face informal trading as a livelihood strategy, thereby threatening its sustainability. Some of the challenges were revealed to be generic such as competition, financial constraints and crime. In addition to these, sector-specific challenges that hamper entrepreneurs in certain business categories were uncovered. The challenges, put together echo the sentiments, and tally with the observations of other writers such as Willemse (2011), Gumbo and Geyer (2011), Hartnack and Leideman (2016) and Philip (2011).

In relation to the fifth objective, *to examine the strategies adopted for coping with ongoing crises as part of the empirical study*. This objective was achieved in chapter five. The researcher, through the questionnaire and semi-structured interview methods, studied and elicited responses on how informal traders dealt with potentially crippling common challenges such as competition, financial constraints and harassment by police or municipal authorities.

The sixth and ultimate objective, *to provide recommendations, based on the findings from the fieldwork, on how traders can accomplish a sustainable livelihood through their trade activities*, is achieved in subsection 6.4 (recommendations to the study) below.

#### **6.4 PART C: RECOMMENDATIONS TO THE STUDY**

Based on the broad conclusions drawn above, it should be reiterated that building and sustaining livelihoods of informal entrepreneurs should be a concerted effort in which government, the private sector, civil society, including donors and non-governmental organisations (NGOs),

should come together in partnership to address the factors that constrain livelihoods. By taking the initiative to engage in informality, people exhibit economic agency driven by a desire to extricate themselves from the clutches of poverty. However, people on their own can only do so much as there are factors that place limitations on their capabilities. These factors need to be addressed in order to give them a helping hand. It is the researcher's sentiments that achieving sustainable livelihoods in the form of sustainable informal trading has got less to do with what the informal entrepreneurs themselves can do and more about creating a conducive environment in which their efforts can flourish. It is within the vein of those sentiments that the following recommendations are advanced in this study.

#### **6.4.1 Improving access to credit (Financial capital)**

Livelihood support in the form of improved access to credit, which is a form of financial capital, lies in the domain of the private sector since it is often through banks that people can access credit in the form of loans. One of the major issues that constrain informal entrepreneurs' access to credit is that they are not registered. Informal business owners need to be sensitized as to the importance of registering their businesses, which is usually a requirement for business owners that need to have access to lines of credit from banks and other financial institutions. The other issue that limits informal traders' access to credit is that they do not have collateral and banks cannot risk issuing out loans where there is no guarantee that the loan will be paid back. What can further be done to ensure that rural people can access loans from banks is to explore other possibilities that can be used as collateral apart from the conventional. Other possibilities include accepting livestock as collateral, which has been done in other countries such as Zimbabwe. Currently, South African banks do not accept livestock as collateral, but such a measure if tried will increase the number of rural people who will be eligible for loans, thereby boosting access to financial capital, which is lacking among informal traders in Mount Frere.

#### **6.4.2 Infrastructure (Physical capital)**

The issue of infrastructure lies within the domain of local government and can be best addressed by municipalities. Building a central market in Mount Frere where traders can sell their goods from would provide informal traders with the required physical capital and go a long way in

easing congestion on the street in Mount Frere where vendors are currently peddling their goods. Mount Frère currently has no sheltered stands from which traders can sell. This has resulted in them occupying the streets, including at store entrances, which creates a disorderly atmosphere in the CBD. Besides, the vendors who operate in those conditions are left exposed to the harsh elements of weather such as rain, wind and excessive heat, which, in the long run may prove to be detrimental to human health. Provision of infrastructure should also include building proper sanitation facilities. Since water is a major challenge in the area, the municipality should at least construct pit latrines on the outskirts of the CBD to ensure that people do not relieve themselves in the open behind the shops as is currently happening. The issue of toilets is a ticking time-bomb which if left unaddressed may explode in the form of major disease outbreaks.

#### **6.4.3 Training and skills development (Human capital)**

There are informal traders who expressed an intention to grow their businesses, but are deterred by the lack of proper business management skills. If workshops providing business management training were to be held for those willing to attend, they would go a long way in building human capital among informal traders and addressing the need for business management skills for those who have a suitable mind-set and the potential to grow their businesses. While acknowledging the cost involved in such undertakings, it is the researcher's view that government should incentivize corporate players to fund such initiatives as part of their corporate social responsibility. Skills development should be promoted for those who are in the informal sector for survival, but would rather be in other forms of productive employment. Building skills vocational training centres in Mount Frere would be a starting point. The issue of resources may be an inhibiting factor, but this is an area where there is a need to tap into the resources and expertise of NGOs, donors and other development partners. Overall, the issue of business management and skills development is an area where partnership between government, the private sector and civil society is imperative. The people themselves may need to be made aware of the importance of learning such skills through vigorous information awareness campaigns.

#### **6.4.4 Promoting rural development and diversification of livelihood options**

From government's perspective, issues to do with rural livelihoods lie within the ambit of rural

development. Rural development in South Africa has always given primacy to agriculture (Neves, 2017). This owes to the belief, which may no longer hold true, that rural livelihoods are agrarian or land-based. Rural development should include support for informal traders' small-scale subsistence farming through agricultural extension services, as well as exploring possibilities of setting up community income generating projects in the form of cooperatives as a way of tackling the vulnerability context that is characterised by poverty. As part of rural development, government should, therefore, offer agricultural support in the form of agricultural extension services and consider setting up co-operatives in the rural areas, and back these up with the necessary technical support. Owing to the shifting of livelihoods away from agriculture, it is of importance that, apart from support for agriculture, rural development focuses on the rural non-farm economy, for example local retail (Neves, 2017) including the rural informal economy. Rural development should also promote external labour markets (Neves, 2017) on which rural livelihoods depend for remittances. It is also paramount that rural development promotes inclusive economic growth (Neves, 2017), which would enable even those excluded from formal employment to participate fully in economic activities (for example through informal self-employment). This way everyone would be able to share and benefit from growth and have access to a sustainable livelihood.

#### **6.4.5 Re-emphasising importance of inclusive growth and employment creation**

In order to sustain the livelihoods of the rural poor, who include informal traders in Mount Frere, policymakers should make emphasis on inclusive growth part of their agenda. Among other things, the concept of inclusive growth highlighted above includes increased integration of the informal economy (Fourie, 2014) as a way to reduce poverty and create jobs, thereby ameliorating the impact of the vulnerability context that is characterised by unemployment. Qobo (2013) goes further to say inclusive growth “creates economic opportunities... while ensuring equal access to them,” (Qobo, 2013: 15). The concept of inclusive growth takes into account “equity and the well-being of all sections of the population,” including the poor and previously marginalised (Fourie, 2014). The concept of inclusivity and sustainable development recognises the need for “citizens to participate in economic activities,” (Qobo 2013: 7). This entails fostering economic inclusion and participation of the marginalised including those in the informal economy (Qobo, 2013), at the same time ensuring that earnings from both formal and

informal or self-employment are adequate. The approach should go further by strengthening the linkages between the informal and formal sectors of the economy so as to facilitate transitions from precarious informal self-employment into more secure formal employment (Ncube, Shimeles & Verdier-Chouchane, 2014). The concept of inclusive growth seeks to ensure that everyone participates in the process of growth, through employment (both formal and informal), as well as equitably shares the benefits of growth (Fourie, 2014). Since formal employment cannot absorb everyone to participate in the process of growth, as most of the poor and marginalised are excluded from formal sector employment, the only way they can participate in and benefit from the economy is if inclusivity is deliberately designed to “integrate the informal and survivalist segments of the economy,” (Fourie, 2014: 7) integrating them into mainstream economic activity. As Fourie (2014) aptly recommends, what is imperative under the circumstances is,

Finding ways to enable those that are excluded from formal sector employment to find (or remain in) sustainable paid employment or self-employment in the informal sector and grow their income from such work (Fourie, 2014: 7).

Fostering inclusivity ensures the poor and marginalised would become active contributors to growth rather than passive recipients of “benefits from formal sector growth in the form of social spending or grants,” (Fourie, 2014: 7). In short, inclusive growth is about enlarging the size of the economy (Fourie, 2014), which can be achieved when the formal and informal economies are brought together. In a similar line of argument it has been noted that persistent rural poverty in South Africa can be traced back to exclusion or economic marginalisation and inadequate incorporation “into the broader political economy,” (Neves & Du Toit, 2013: 3). This can be countered by prioritisation of “economic empowerment of the previously marginalised,” such as young people and women (UNDP, nd). The UNDP’s inclusive growth and sustainable livelihood strategy is an attempt to bring the previously excluded and marginalised into the mainstream of growth, development and sustainable livelihoods. The strategy includes:

Strengthening the capacities of institutions, enterprises and individuals [as a means to] minimise economic exclusion and marginalisation of the poor, and generate realisable opportunities for decent and productive employment (UNDP, nd).

The essential elements of such a strategy include developing inclusive and sustainable business practices in rural areas, enhancing productive capacities, promoting sustainable management of natural resources, strengthening national social protection systems and creating job opportunities for rural youths (UNDP, nd).

#### **6.4.6 Formalisation versus support for continued informality: Response to structures and processes**

There are two divergent views on the stance to be adopted with regard to informality. Arguing from a policy perspective, formalisation of informal enterprises seems to be the way to go. The argument for this stance would be to enlarge the state's tax base since formal businesses will fall within the state's tax net. The regulatory environment in African cities is hostile towards informal economic activities (Muller, 2015). Policy is often biased towards formalising informal enterprises and fails to acknowledge that the informal economy can be productive in its own right (Muller, 2015). However, contrary to the authorities' often expressed approach of enforcement mechanisms aimed at curtailing the size of the shadow economy, this study advocates for a divergent approach of "acknowledging the shadow economy's existence and accommodating the informal sector as a permanent feature of the overall economy," (Association of Chartered Certified Accountants (ACCA), 2017: 29). This would invariably require demonstrable will, by the relevant authorities, to open up space for informal economic participants to transcend the limitations imposed by transforming structures and processes, represented by a punitive regulatory environment, which inhibit informal economic activities. It is argued (ACCA, 2017) that embracing the informal economy, recognising its innovative and growth potential, will perceivably lead to a robust, stable, successful and sustainable economy. A sustainable overall economy will arguably have positive spin-offs for the livelihoods of ordinary people.

When it comes to weighing the pros and cons of formalisation vis-à-vis continued informality,

“the best choice at any given time and place is that which most effectively provides livelihood security,” (Ratner, 2000: 13). Barriers to formality should be removed where formalisation is appropriate (for example, for opportunity or growth-oriented informal sector participants). Where it is not ideal to formalise, for example in the case of necessity or survivalist informal traders, livelihood support should focus on building a robust informal sector (Ratner, 2000). It is within the vein of Ratner’s assertion that this study recommends the adoption of an approach that acknowledges informal economic activity as “valid and valuable in its own right, and not exclusively as a stepping stone to formal employment,” (Ratner, 2000: 17). Implicit in this argument is that not everyone who is in the informal sector shares the desire and capability to make the transition from the informal sector to formal employment.

#### **6.4.7 Other recommendations**

- There is need to increase police visibility in and around Mount Frere to curb prevalence of crime which emerged as one of the key challenges that particularly mobile traders grapple with. Criminals take advantage of the lack of police visibility to wreak havoc and pounce on people within the deep rural areas. If temporary police bases could be erected within the deep rural areas, that would go a long way in deterring would-be criminals. Concerned rural dwellers can also take it upon themselves to form policing forums to fight crime in their neighbourhoods since government may be hampered by lack of resources to provide adequate policing services within the rural areas.
- Mobile informal traders who also formed part of the population of informal traders in Mount Frere and diversified their livelihood strategies through cross-border trade also brought up the issue of permits and visas, which they said are difficult to acquire and where the latter are given they are usually valid for a short period of time. While seriously acknowledging the objective to control cross-border movement of people, this should be balanced against the equally important objective of promoting cross-border migration as a way of sustaining livelihoods. When it comes to livelihood support the possibilities are infinity and any form of intervention should follow a pragmatic approach that is based on what the people themselves want, balanced against and taking into account practicality and feasibility.



#### **6.4.8 Summary of the recommendations**

It has been recommended in this study that support of the livelihoods of informal traders in Mount Frere should include improvement of access to credit, provision of adequate infrastructure on which informal trading depends, and investment in business management training and skills development. It is also recommended that the process of formalization of businesses be simplified while at the same time ensuring that those who need to formalize their businesses are given the necessary support where it is feasible to do so. Support for informal traders in Mount Frere should, however, not only be focused on addressing the problems that lie within the informal economy, but should rather acknowledge the cross-sectoral character of sustainable livelihoods and adopt a cross-sectoral approach to include all sectors from which informal traders derive their livelihoods. Support should, therefore, also be centred on promoting rural development and re-emphasising the importance of inclusive growth. There is also a need to improve the formal job market since evidence from this study suggests that rural informal livelihoods are interlinked with urban employment that is the source of remittances that boost informal entrepreneurship. Efforts to fight crime should also be stepped up while ways of easing cross-border migration need to be considered. Overall, the recommendations proffered in this study emphasise the need to eliminate the challenges experienced by informal traders, address the constraints posed by the vulnerability context and structures and processes as well as enhancing access to livelihood assets (particularly financial, human and physical) and a broadened base of diversified livelihood strategies that go beyond the informal economy.

#### **6.5 PART D: LIMITATIONS OF THE STUDY**

This research project of '*Understanding sustainable livelihood strategies of informal traders: A Case of Mount Frere*' was undertaken within certain limitations, which stem from the following factors: inadequate finance; the limitation of the design of the study in which snowball sampling, a non-probability sampling strategy, was used alongside judgement purposive sampling.

Some of the informal traders in the sample had very low education which hampered their ability to complete questionnaires which made it expedient for the researcher to assist in the process of questionnaire completion in order to achieve a 100% response rate as explained earlier in the

previous chapter. The presence of the researcher may, thus, have influenced the responses given by the respondents. The interview method may also have introduced a source of error for example due to the way the questions were asked or the way the information was recorded by the interviewer. The decision to use the semi-structured form of the interview was a way of minimising the impact of this limitation as it ensured standardisation in the way the questions were put across to the respondents.

Due to the use of non-probability sampling in this study results may not be generalisable to the population from which the sample was drawn. A truly random and representative sample would have generated more reliable and valid results that can be generalised. However, such a design, as explained before, was simply not feasible in a study of this nature. Besides, the limitation regarding generalizability of findings was offset by what Yin (2004) refers to as the use of multiple sources of evidence that was achieved through drawing data from a large sample and using more than one data collection method.

Another limitation stems from the fact that, the researcher did not have access to more advanced data analysis packages that allow for tests of statistical significance such as chi-square and t-test to be conducted on the quantitative component of this mixed methods study. The availability of such statistical data analysis packages would have allowed for the reliability and validity of quantitative data to be tested. Also, when doing a research of this nature the limitation of the unavailability of reliable data on informal traders at both national and municipal levels should be acknowledged. This sentiment is also echoed by several authors (Bromley, 2000; Skinner, 2008, Woodward, Rolfe, Lighthelm & Guimaraes, 2011).

Notwithstanding the above limitations, the findings from this study can, with confidence, be applied in the context in which the study was conducted since the researcher adhered to the need to ensure trustworthiness of results by enhancing credibility, transferability, dependability and confirmability of the findings. Hopefully, the findings generated here will stir and awaken an interest in future researchers to conduct similar studies in other contexts to complement the findings from this particular study.

## **6.6 PART E: POSSIBLE AREAS FOR FUTURE RESEARCH**

Future research may need to primarily focus on informal workers in informal businesses in order to understand the livelihoods of this category of informal sector participants since it is acknowledged that besides being a source of self-employment, the informal economy is also a valuable source of wage employment.

The livelihoods in the informal economy also need to be studied from the point of view of municipal authorities as they represent a structure that is imbued with processes that effectively pose institutional blockages to informal economic livelihoods. Future evidence-based research that seeks to elicit the views of these authorities will complement abundantly existing studies that were undertaken to understand the livelihoods of informal economic participants, like this one. The above approach, if adopted, will serve to fill in the gaps regarding the rationale behind the policies that impinge on livelihoods of people in the informal economy and how they can be made more accommodating of informal economic activities.

Another area for future research is the exploration of the linkages that exist within the informal economy itself. Previous studies on the informal economy are quite vocal on the linkages that exist between the formal and informal economies, without illuminating the linkages that exist within the informal economy itself. Future research that focuses on those linkages that exist within the informal economy can help educate interested authorities on how the linkages can be strengthened or used as entry points for livelihood support that is aimed at informal economic activities.

## **6.7 PART F: CONCLUSION**

This study sought to understand the livelihoods of informal traders in Mount Frere in the Eastern Cape. It is apparent that the informal economy in Mount Frere has become an important source of both self-employment and wage employment for South Africans and immigrants alike. It has also become a way of alleviating poverty. Evidence also shows that the livelihoods of informal

entrepreneurs are diversified, mainly within the informal economy itself (whereby entrepreneurs engage in more than one informal economic activity) and to some extent diversified between the informal economy and other livelihood strategies such as agriculture and state transfers. There are, however challenges that militate against the realization of sustainable livelihood outcomes that include sustainable informal trading. Those challenges range from competition, to lack of infrastructure and lack of access to credit. Leaving informal entrepreneurs to fend for themselves and navigate their own way through the existing structures, without giving them even minimal support, for example in the form of infrastructure provision is not an option as, if anything, that may result in the worsening of poverty.

## REFERENCES

Akoten J. & Otsuka K. 2007. From tailors to mini-manufacturers: the role of traders in the performance of garment enterprises in Kenya. *Journal of African Economies*, 16 (4): 564 – 595.

Alemu, Z.G., 2012. *Implications for poverty reduction: Selected paper prepared for presentation at the International Association of Agricultural Economists (IAAE)* [online]. Retrieved from: <http://www.ageconsearch.umn.edu/bitstream.1254>. [Accessed 15 July 2017].

Aliber, M., 2003. Chronic poverty in South Africa: Incidence, causes and policy. *World Development*, 31(3): 473-490.

Aliber, M. & Hart, T. 2009. Should subsistence agriculture be supported as a strategy to address rural food insecurity? *Agrikon*, 48 (4): 434-458.

Antwi, S.K. & Hamza, K. 2015. Qualitative and Quantitative Research Paradigms in Business Research: A Philosophical Reflection. *European Journal of Business and Management*, 7 (3):217-225

Association of Chartered Certified Accountants (ACCA). 2017. *Emerging from the shadows: The shadow economy to 2025* [online]. Retrieved from: <http://www.accaglobal.com/content/dam/ACCA>. [Accessed 3 August 2017].

Bacchetta, M. & Ernst, E. 2009. *Globalisation and Informal Jobs in Developing Countries: A Joint Study of the International Labour Office and the Secretariat of the World Trade Organisation*. ILO/WTO: Geneva [online]. Retrieved from: [http://www.wto.org/jobs\\_devel\\_countries\\_e.pdf](http://www.wto.org/jobs_devel_countries_e.pdf). [Accessed 21 July 2017].

Bank, L. 2008. On family farms and commodity groups: Rural livelihoods, households and development policy in the Eastern Cape. *Journal of African Studies*, 31(1): 157-181.

Bass, S., Reid, H., Satterhwaite, D. & Steele, P. 2005. *Reducing poverty and sustaining the environment: the politics of local engagement*. London: Earthscan.

Becker, K.F. 2004. *The Informal Economy: A Fact Finding Study*. Swedish International Development Agency (Sida), Department for Infrastructure and Economic Co-operation.

Blandford, A. 2013. Semi-structured qualitative studies. In: Soegard, M. & Dam, R.F. (eds.) *The Encyclopedia of Human-Computer Interaction*. 2<sup>nd</sup> ed. Aarhus: The Interaction Design Foundation [online]. Retrieved from: [http://www.interaction-design.org/encyclopedia/semi-structured\\_qualitative\\_studies.html](http://www.interaction-design.org/encyclopedia/semi-structured_qualitative_studies.html). [Accessed 26 July 2017].

Bourguignon, F. & Plaskovic, B. (eds). 2006. *Growth and Integration: Annual World Bank Conference on Development Economics*. Washington DC: The World Bank. Pp. 31-66.

- Bracking, S. & Sachikonye, L. 2006. Remittances, poverty reduction and the informalisation of household well-being in Zimbabwe. GPRG-WPS-045. Global Poverty Research Group [online]. Retrieved from: <http://www.gprg.org/pubs/workingpapers/default.htm> [Accessed 20 July 2017].
- Brink, H.I.L. 1993. Validity and Reliability in Qualitative Research. *Curationis*, 16(2): 35-38
- Bromley, R. 2000. Street vending and public policy: a global review. *International Journal of Sociology and Social Policy*, 20 (12): 1–28.
- Bryman, A. 2012. *Social Research Methods*. 4<sup>th</sup> ed. Oxford: Oxford University Press.
- Burkey, S. 1996. *People first: a guide to self-reliant, participatory rural development*. London: Zed.
- Carney, D. (ed.) 1998. *Sustainable rural livelihoods. What contribution can we make?* London: Department for International Development.
- Chambers, R. 1995. Poverty and Livelihoods: whose reality counts? *Environment and Urbanisation*, 7 (1): 173-204.
- Carr, M. & Chen, M.A. 2001. Globalisation and the informal economy: How global trade and investment impact on the working poor. WIEGO [Online]. Retrieved from: [http://www.ilo.org/./wcms\\_122053.pdf](http://www.ilo.org/./wcms_122053.pdf). [Accessed 9 July 2017].
- Chambers, R & Conway, G.R. 1991. Sustainable Rural Livelihoods: practical concepts for the 21st century. IDS discussion paper 296 [ online ]. Retrieved from: <http://www.ids.ac.uk/publication/sustainable-rural-livelihoods> [ Accessed 24 June 2017 ].
- Charman, A., Petersen, L. & Piper, L. 2012. From local survivalism to foreign entrepreneurship: the transformation of the spaza sector in Delft, Cape Town. *Transformation*, 78: 47-73
- Chani, C. 2008. Informal Cross-Border Trade: A Review of its impact on Household Poverty Reduction (Zimbabwe). Master of Social Science Degree in Development Studies. Alice: University of FortHare.
- Chen, M. 2012. *The Informal Economy: Definitions, Theories and Policies*, WIEGO Working Paper No. 1. WIEGO.
- Chen, M.A., Vanek, J. & Carr, M. 2004. *Mainstreaming Informal Employment and Gender in Poverty Reduction: A handbook for Policy-makers and Other Stakeholders*. Ottawa: International Development Research Centre.
- Chen, S. & Ravallion, M., 2001. How did the world's poorest fare in the 1990s? *Review of Income and wealth*, 47(3): 283-300.

- Chilwalo, N.B., 2015. The Contribution of Informal Trading to Livelihoods in Lusaka, Zambia. Master's degree in Development Studies. Bloemfontein: University of the Free State.
- Chirau, T.J. 2012. Understanding Livelihood Strategies of Urban Women Traders: A case of Magaba, Harare in Zimbabwe. Master of Social Sciences degree. Grahamstown: Rhodes University.
- Chu, H, Benzing, C. & McGee, C. 2007. Ghanaian and Kenyan entrepreneurs. A comparative analysis of their motivations, success characteristics and problems. *Journal of Developmental Entrepreneurship*, 12 (3): 295-322.
- Cohen, J. 2010. How the global economic crisis reaches marginalised workers: The case of street traders in Johannesburg, South Africa. *Gender and Development*, 18 (2): 277 – 289.
- Costanza, R. & Patten, B.C. 1995. Defining and predicting sustainability. *Ecological Economics*, 15: 193-196.
- Creswell, J.W. 2003. *Research Design: Qualitative, Quantitative and Mixed Methods Approaches*. Thousand Oaks: Sage.
- Creswell, J.W. 2014. *Research Design: Qualitative, Quantitative and Mixed Methods Approaches*. 4<sup>th</sup> ed. Thousand Oaks: Sage.
- Creswell, J.W. & Plano Clark, V.L. 2011. *Designing and conducting Mixed Methods Research*, 2<sup>nd</sup> ed. Thousand oaks, CA: Sage.
- Creswell, J.W., Klassen, A.C., Plano Clark, V.L., & Smith, K.C. 2011. Best practices for Mixed Methods Research in the Health Sciences. National Institute of Health: The Office of Behavioural & Social Sciences Research (OBSSR) [online]. Retrieved from: [https://obssr.od.nih.gov/scientific\\_areas/methodology/mixed\\_methods\\_research/section2.aspx](https://obssr.od.nih.gov/scientific_areas/methodology/mixed_methods_research/section2.aspx). [Accessed 19 June 2017].
- Crotty, M. 1998. *The Foundations of Social Research: Meaning and perspective in the research process*. Thousand Oaks, CA: Sage.
- Davids, I. 2009. Poverty in South Africa: a development management perspective. In: Davids, I., Theron, F., & Maphunye, K.J. *Participatory development in South Africa: a development management perspective*. 2<sup>nd</sup> ed. Pretoria: Van Schaik. Pp. 37-48.
- Davids, I. & Maphunye K.J. 2009. International development agencies: the impact of globalisation on development in South Africa. In: Davids, I., Theron, F. & Maphunye, K.J. *Participatory Development in South Africa: A Development Management Perspective*. 2<sup>nd</sup> ed. Pretoria: Van Schaik. Pp. 90-100.
- Department for International Development. 1999. *Sustainable livelihoods guidance sheets*. London: Department for International Development. Pp 2.1-2.6

- De Satge, R., Holloway, A., Mullins, D., Nchabaleng, L., Ward, P. 2002. *Learning about Livelihoods*. Cape Town: Peri-Peri & Oxfam.
- Devey, R., Skinner, C. & Valodia, I. 2006. Second best? Trends and linkages in the informal economy in South Africa. DPRU Working Paper 06/102. Cape Town: Development Policy Research Unit, University of Cape Town.
- Du Toit, A. & Neves, D. 2007. *In search of South Africa's second economy: Chronic poverty, vulnerability and adverse incorporation in Mount Frere and Khayelitsha*. Stellenbosch: Institute for Poverty, Land and Agrarian Studies (PLAAS).
- Du Toit, A. & Neves, D. 2009. Trading on a grant: Integrating formal and informal social protection in migrant networks. Working Paper 75. Brooks World Poverty Institute. University of Manchester [online]. Retrieved from: <http://www.bwpi.manchester.ac.uk/resources/Working-Papers/index.html> [Accessed 8 July 2017].
- Ellis, F. 2006. Livelihoods approach. In: Clark D.A. *The Elgar Companion to Development Studies*. Cheltenham: Edgar Elgar. Pp. 345-349.
- Ellis, F. & Freeman, H., 2004. Rural livelihoods and poverty reduction strategies in 4 African countries. *Journal of Development Studies*, 40(4): 1-30.
- Fields, G. 2005. A Guide to labour market models. Social protection discussion paper series, No. 0505.
- Flyvberg, B. 2011. Case Study. In: Denzin, N.K. & Lincoln, Y.S. (eds). *Handbook of Qualitative Research*. 4<sup>th</sup> ed. Thousand Oaks: CA Sage. Chapter 17: 301-316.
- Fontana, A. & Frey, J.H. 1994. Interviewing: The Art of Science. In: Denzin N. and Lincoln Y.S. *Handbook of qualitative research*. Thousand Oaks, CA: Sage.
- Fosu, A.K. & O'Connell, S.A. 2006. Explaining African Economic Growth: The Role of Anti-Growth Syndromes. In Bourguignon, F. & Plaskovic, B. (eds). *Growth and Integration: Annual World Bank Conference on Development Economics*. Washington DC: The World Bank. Pp. 31-66.
- Fourie, F. 2014. How inclusive is economic growth in South Africa? [online]. Retrieved from: <http://www.econ3x3.org/article/how-inclusive-is-economic-growth-in-sa>. [Accessed 30 June 2017].
- Global Entrepreneurship Monitor Report, 2018 [online]. Retrieved from: <http://www.gemconsortium.org-GEM%202017-2018%20Global%20Report.pdf>. [Accessed 20 June 2018].
- Goldman, I., Carnegie, J., & Marumo, M. (eds) 2000. *Institutional support for sustainable rural livelihoods in Southern Africa: results from Zimbabwe, Zambia and South Africa*. Department for International Development. Pp 1-3.



- Guba, E.G. 1981. Criteria for assessing the trustworthiness of naturalistic inquiries. *Educational Communication and Technology Journal*, 29: 75-91.
- Guba, E.G. & Lincoln, Y.S. 1994. Competing paradigms in qualitative research. In Denzin, N.K. And Lincoln, Y.S. (eds). *Handbook of qualitative research*. Thousand Oaks, CA: Sage.
- Gumbo, T. & Geyer, M. 2011. 'Picking up the pieces': reconstructing the informal economic sector in Bulawayo, Zimbabwe. *Town and Regional Planning*, 59 (7): 53-64.
- Hajdu, F. 2006. *Local Worlds: Rural Livelihood Strategies in Eastern Cape, South Africa*. Ph.D Degree. Linkoping: Linkoping University.
- Hancock, B., Ockleford, E. & Windridge, K. 2009. *An Introduction to Qualitative Research*. Nottingham: The National Institute for Health Research. Research Design Service for the Eastern Midlands.
- Hanson, W.E., Creswell, J.W., Plano Clark, V.L., Petska, K.S. & Creswell, J.D. 2005. Mixed Methods Research Designs in Counseling Psychology. *Journal of Counselling Psychology*, 52 (2): 224-235.
- Hartnack, A. & Liedeman, R. 2016. *A qualitative investigation of diverse factors that contribute towards informal micro-enterprises going out of business: the case of Delft South, 2010-2015*. REDI 3x3 Working Paper.
- Held, D., McGrew, A., Goldblatt, D. & Perraton, J. 2000. *Global Transformations: Politics, Economics and Culture*. Cambridge: Polity.
- Hope. K.R. & Lekorwe, M.H. 1999. Urbanisation and the environment in Southern Africa: Towards a managed framework for the sustainability of cities. *Journal of Environmental Planning and Management*, 42(6): 837-860.
- Horn, A. 2011. Who's out there? A profile of informal traders in 4 city central business districts. Centre for Regional and Urban Innovation and Statistical Exploration. *Town and Regional Planning* 59 (7): 7-15.
- Howe, G. & Mckay, A., 2007. Combining quantitative and qualitative methods of assessing chronic poverty: The case of Rwanda. *World Development* 35(2): 197-211.
- Hulme, D. & Shepherd, A., 2003. Conceptualizing chronic poverty. *World Development* 31(3): 403-423.
- International Labour Office (ILO). 2016. *World Employment Social Outlook: Trends 2016*. Geneva: ILO.
- ILO. 2009. *The informal economy in Africa: Promoting transition to formality: Challenges and strategies*. Geneva: ILO.

- Johnson, R.B., Onwuegbuzie, A.J. & Turner, L.A. 2007. Toward a definition of mixed methods research. *Journal of Mixed Methods Research*, 1(2): 112-133.
- Jutting, J. & Laiglesia, J.R. 2009. Is Informal Normal? Towards More and Better Jobs in Developing Countries, OECD Development Centre. Paris [online]. Retrieved from: <http://www.materialien.org/planet/oecdinformellersektor.pdf>. [Accessed 3 August 2017].
- Jutting, J., Parlevliet, J. & Xenogiani, T. 2007. *Informal employment re-loaded*. Working Paper No. 266. OECD Development Centre [online]. Retrieved from: <http://www.oecd.org/39900874.pdf>. [Accessed 15 July 2008].
- Kingdom, G.G. & Knight, J. 2007. Unemployment in South Africa, 1995-2003: Causes, Problems and Policies. *Journal of African Economies*, 16(5): 813-848.
- Kothari, C.R. 2004. *Research Methodology: Methods and Techniques*. New Delhi: New Age International (P) Limited.
- Leibbrandt, M., Poswell, L., Naidoo, P., Welch, M. & Woolard, I. 2005. *Measuring Recent Changes in South African Inequality of Poverty using 1996 and 2001 Census Data*. Development Policy Research Unit (DPRU) Working Paper No. 05/94. Cape Town: University of Cape Town.
- Lincoln, Y.S. & Guba, E.G. 1985. *Naturalistic inquiry*. CA: Sage Publications.
- Loison, S.A. 2015. Rural livelihood diversification in Sub-Saharan Africa: A literature Review. *Journal of Development Studies*, 51 (9): 1125-1138.
- Lyons, M. & Snoxell, S. 2005a. Creating urban social capital: Some evidence from informal traders in Nairobi. *Urban Studies*, 42(7): 1077-1097.
- Lyons, M. & Snoxell, S. 2005b. Sustainable urban livelihoods and marketplace social capital: Crisis and strategy in petty trade. *Urban Studies*, 42(8): 1301-1320.
- Madichie, N.O. & Nkamnebe, A.D. 2010. Micro-credit for micro-enterprises?: A study of women 'petty' traders in Eastern Nigeria. *Gender in Management: An International Journal*, 25 (4): 301-319.
- Mahajan, S. 2014. *Economics of South African Townships: Special focus on Diepsloot*. Washington, DC: World Bank Publications.
- Mathebula, J., Molokomme, M., Jonas, S., & Nhemachena, C. 2017. Estimation of household income diversification in South Africa: A case study of three provinces. *South African Journal of Science*, 113 (1/2): 1-9
- Martins, J. & Lighthelm A. 2004. *Level of entrepreneurship in the informal retail sector of South Africa*. Pretoria: University of South Africa, Bureau of Market Research.

Max-Neef, M. 1991. *Human scale development, conception, application and further reflections*. New York: Apex.

May, J. (ed). 2000. *Poverty and inequality in South Africa: meeting the challenge*. Cape Town: David Philip.

McGrew, A. 2005. Globalization and global politics. In: Baylis, J. & Smith, S. (eds). *The Globalization of World Politics*. 3<sup>rd</sup> ed. Oxford: Oxford University Press. Pp 13-39.

Medina, L., Jonelis, A. & Cangul, M., 2017. The Informal Economy in Sub-Saharan Africa: Size and determinants. IMF Working Paper WP/17/156 [online]. Retrieved from: <http://www.imf.org/..wp17156.ashx>. [Accessed 5 August 2017].

Medina, L. & Schneider, F. 2017. Shadow Economies around the World: New Results for 158 countries over 1991-2015. [online]. Retrieved from: STUDIEN/PFUSCH NEU/2017/JointPaper\_LeandroMedina.doc. [Accessed 5 August 2017].

Merriam S.B. 1995. What can you tell from an N of 1?: Issues of Validity and Reliability in Qualitative Research. *PAACE Journal of Lifelong Learning*, 4:51-60.

Merriam, S.B. 1998. *Qualitative research and case study applications in education*. San Francisco: Jossey Bass.

Mouton, M. 2001. *How to succeed in your Master's and Doctoral Studies*. Pretoria: Van Schaik.

Mubaiwa P. 2014. Assessing the role played by informal traders in the snoek value chain in selected townships in Cape Town. Master of Philosophy degree in Land and Agrarian Studies. Cape Town: University of the Western Cape.

Muller, B.D. 2015. *Growing Informal Cities: Migrant Entrepreneurs and Inclusive Growth in South Africa, Mozambique and Zimbabwe*. Conference Report. Southern African Migration Programme (SAMP)/African Centre for Cities (ACC), University of Cape Town: Cape Town, 9 February 2015 [online]. Retrieved from: <http://www.afsun.org/..NewGICReport.pdf>. [Accessed 24 September 2017].

Mupedziswa, R. & Ntseane, D. 2013. The contribution of non-formal social protection to social development in Botswana. *Development Southern Africa*, 30(1): 84-97.

National Planning Commission. 2012. National Development Plan 2030: Our future - make it work [online]. Retrieved from: [http://www.gov.za/NDP-2030-Our-future-make-it-work\\_r.pdf](http://www.gov.za/NDP-2030-Our-future-make-it-work_r.pdf). [Accessed 19 July 2017].

Narayan, K. 2011. Urban Women Participation and Livelihoods in the Informal Sector in Fiji: A Case Study of Suva-Lami Area. Master of Arts degree in Development Studies. Suva: The University of the South Pacific.

- Nattrass, N. 1984. *Street trading in Transkei: A struggle of poverty, persecution and prosecution*. Carnegie Conference Paper No. 237. Cape Town.
- Ncube M., Shimeles, A. & Verdier-Chouchane, A. 2014. South Africa's Quest for Inclusive Development. In: Malone, D.M., Kanbur, R., Medhora, R. & Currie-Alder, B. (eds). *International Development: Ideas, Experience and Prospects*. Oxford: Oxford University Press.
- Ndhlovu, K. 2011. Street vending in Zambia: A Case of Lusaka District. Masters Degree [online]. Retrieved from: <http://www.google.com.na/url?sa> [Accessed 10 July 2017].
- Ndiweni, N.J., Mashonganyika, S., Ncube, N. & Dube, N. 2014. Informal Economy as a Source of Livelihood in Zimbabwe Urban Areas: The Case of Bulawayo Metropolitan Province. *International Journal of Scientific Research Publications*, 4(1): 1-8.
- Neneh, B.N. & Smit, A. 2013. Will promoting more typical SME start-ups increase job creation in South Africa? *African Journal of Business Management*, 7(31): 3043-3051.
- Neneh, B.N. & Vanzyl, J. 2014. Growth intention and its impact on business growth among SMEs in South Africa. *Mediterranean Journal of Social Sciences*, 5(20): 172-183
- Neves, D. & Du Toit, A. 2013. Rural livelihoods in South Africa: Complexity, vulnerability and differentiation. *Journal of Agrarian Change*, 13 (1): 93-115
- Neves, D. 2017. Reconsidering rural development: using livelihood analysis to examine rural development in the former homelands of South Africa: Research Report 54. PLAAS, Cape Town.
- Ngundu, K. 2010. The Impact of the Informal Economy on the Social and Economic Development of Women Headed Households in Chegutu Urban District in Zimbabwe. Master of Social Work degree, Social Development and Policy. Pretoria: University of Pretoria.
- Omann, I. & Spangenberg, J.H. 2002. Assessing Social Sustainability: The Social Dimension of Sustainability in a Socio-Economic Scenario. Paper presented at the 7<sup>th</sup> Biennial Conference of the International Society for Ecological Economics in Sousse (Tunisia), 6-9 March 2002 [online]. Retrieved from: [citeseerx.ist.psu.edu](http://citeseerx.ist.psu.edu). [Accessed 20 June 2017].
- Onyebueke, V. & Geyer, M. 2011. The Informal sector in urban Nigeria: Reflections from almost four decades of research. *Town and Regional Planning*, 59 (7): 65-76.
- Peberdy, S. 2000. Mobile Entrepreneurship: Informal sector cross-border trade and street trade in South Africa. *Development Southern Africa*: 17 (2): 201-219
- Perret, S., Anseeuw, W. & Mathebula, N. 2005. Poverty and livelihoods in rural South Africa. Investigating diversity and dynamics of livelihoods: Case studies in Limpopo. Project report num.05/01, Kellogg's Foundation/University of Pretoria [online]. Retrieved from <http://ageconsearch.umn.edu/./2005-01.pdf>. [Accessed 25 June 2017].

Phillip, K. 2011. *Inequalities and Economic Marginalisation: How the structure of the economy impacts on opportunities on the margins*. Trade and Industrial Policy Strategies (TIPS).

Porritt, J. 2009. *Living within our means: Avoiding the ultimate recession*. London: Forum for the future.

Practical Tools for International Development (Tools4dev). 2014. How to pretest and pilot a survey questionnaire [online]. Retrieved from: <http://www.tools4dev.org>. [Accessed 3 August 2017].

Presidency, 2006. *Accelerated and Shared Growth Initiative (ASGISA)*. Presidency: Republic of South Africa. Pp. 1-18.

Preston, P.W. 1997. *Development theory: an introduction*. Oxford: Blackwell.

Qobo, M., 2013. Is Environmentally Sustainable and Inclusive Growth Possible? Sub-Saharan Africa and Emerging Global Norms on Development. Pretoria: Centre for the Study of Governance Innovation, University of Pretoria.

Rakodi, C. & Lloyd J.T. 2002. *Urban livelihoods: A people-centred approach to reducing poverty*. London: Earthscan.

Ramphela, M. 2006. Poverty, characteristics of. In: Clark, D.A. *The Elgar Companion to Development Studies*. Cheltenham: Edgar Elgar. Pp. 465-468.

Ratner, S. 2000. The Informal Economy in Rural Community Economic Development [online]. Retrieved from: <http://www.rural.org/publications/reports.html> [Accessed on 30 June 2017].

Rath, N. 2016. Impact of globalisation on the urban informal economy: A Study of the women craft workers of Odisha. *Imperial Journal of Interdisciplinary Research (UIR)*, 2(6): 839-841.

Rogerson, C.M. 2007. Second economy versus informal economy: A South African affair. *Geoforum*, 38(6): 1053-1057.

Ruzek, W. 2014. The Informal Economy as a Catalyst for Sustainability. *Sustainability 2015*, (7):23-34.

Sale, J.E., Lohfeld, L.H. & Brazil, K. 2002. Revisiting the qualitative-quantitative debate: Implications for mixed methods research. *Quality and quantity*, 36(1): 43-53.

Sassa (South African Social Security Agency). 2018. A Statistical summary of social grants in South Africa. Fact sheet: Issue No.2 of 2018, 28 February 2018 [online]. Retrieved from: <http://www.sassa.gov.za/index.php/statistical-reports>. [Accessed 15 May 2018].

Sassa. 2018. You and your grants 2018-2019 – Sassa [online]. Retrieved from: <http://www.sassa.gov.za/index.php/knowledge...> [Accessed 15 May 2018].

Saunyama, T.C. 2013. The Contribution of Informal Sector Trade to Poverty Reduction in Rusape, Zimbabwe. Master of Social Work degree: Social Development and Policy. Pretoria: University of Pretoria.

Schneider, F. 2002. Size and measurement of the Informal Economy in 110 countries. [online]. Retrieved from: [http://www.relooney.info/SI\\_Expeditionary/Shadow\\_Economy\\_13.pdf](http://www.relooney.info/SI_Expeditionary/Shadow_Economy_13.pdf). [Accessed 20 May 2017].

Schneider, F., Buehn, A. & Montenegro, C.E. 2010. New Estimates for the Shadow Economies all over the World. [online]. Retrieved from: <http://www.openknowledge.worldbank.org/./4929>. [Accessed 5 July 2017].

Scoones, I., 1998. *Sustainable rural livelihoods; A framework for analysis*. IDS Working Paper No. 72. Sussex: Institute of Development Studies.

Scotland, J. 2012. Exploring the Philosophical Underpinnings of Research: Relating Ontology and Epistemology to the Methodology and Methods of the Scientific, Interpretive and Critical Research Paradigms. *English Language Teaching*, 5 (9): 9-16.

Seekings, J. & Harper, S. 2010. *Claims on and obligations to kin in Cape Town, South Africa*. CSSR Working paper No. 272. Cape Town: Centre for Social Science Research, University of Cape Town.

Shabalala, S. 2014. Constraints to Secure Livelihoods in the Informal Sector: the Case of Informal Enterprises in Delft South. Master of City and Regional Planning degree. Cape Town. University of Cape Town.

Shenton, A.K. 2004. Strategies for ensuring trustworthiness in qualitative research projects. *Education for Information*, 22: 63-75.

Sikder, M.J.U. 2005. Livelihoods and informal trade at the Bangladesh border. *Inter-Asia Cultural Studies*, 6(3): 432-445.

Skinner, C. 2006. Falling through the Policy Gap? Evidence from the Informal Economy in Durban, South Africa. *Urban Forum*, 17 (2):125-148.

Skinner, C. 2008. *Street Trade in Africa: A Review*. School of Development Studies Working Paper No. 51. Durban: University of Kwazulu Natal.

Skinner, C. 2015. Policy Roundtable. In: Muller, B.D. *Growing Informal Cities: Migrant Entrepreneurs and Inclusive Growth in South Africa, Mozambique and Zimbabwe*: Conference Report. SAMP/ACC: Cape Town, 9 February 2015 [online]. Retrieved from: <http://www.afsun.org/./NewGICReport.pdf>. [Accessed 24 September 2017].

Skinner, C. & Haysom G. 2017. *The informal sector's role in food security: A missing link in Policy debates?* Discussion Paper, Number 6. Hungry Cities Partnership.

- Smit, E. & Donaldson, R. 2011. The home as informal business location: home based business (HBB) dynamics in the medium-sized city of George. *Town and Regional Planning*, 59 (7): 24-33.
- Smit, S. & Musango, J.K. 2015. Exploring the connections between green economy and informal economy in South Africa. *Southern African Journal of Science*, 111(11/12). [online]. Retrieved from: <http://dx.doi.org/10.17159/sajs.2015/20140435>.
- Souksavath, P. & Achanya, S. 2009. Employment and Livelihoods: Lao PDR, 2009. The 4<sup>th</sup> National Human Development Report. Vientiane: Lao PDR Ministry of Planning and Investment/United Development Programme [online]. Retrieved from: [http://www.lao\\_nhdr\\_2009\\_en.pdf](http://www.lao_nhdr_2009_en.pdf). [Accessed 29 July 2017].
- Sparks, D. & Barnett, S. 2010. The Informal Sector in Sub-Saharan Africa: Out of the shadows to foster sustainable employment and equity? *International Business and Economics Research Journal*, 9: 1-11.
- Spicker, P. 2007. *The idea of poverty*. Bristol: Policy Press.
- Stakes, R. 1995. *The art of case study research*. Thousand Oaks, CA: Sage
- Statistics South Africa. 2017. *Quarterly Labour Force Survey: Quarter 4: 2016*: Statistical release PO211. Pretoria [online]. Retrieved from: <http://www.statssa.gov.za/Publications/> [Accessed 24 June 2017].
- Stewart, F. 2006. Basic Needs Approach. In: Clark, D.A. *The Elgar Companion to Development Studies*. Cheltenham: Edgar Elgar. Pp 14-18.
- Subedi, D. 2016. Explanatory Sequential Mixed Method Design as the Third Research Community of Knowledge Claim. *American Journal of Educational Research*, 4 (7): 570-577.
- Sustainable Livelihoods Foundation. 2016. South Africa's Informal Economy: Research Findings from Nine Townships.
- Tawodzera, G & Chikanda, A. 2015. Migrant entrepreneurs in Cape Town. In: Muller, B.D. *Growing Informal Cities: Migrant Entrepreneurs and Inclusive Growth in South Africa, Mozambique and Zimbabwe*: Conference Report. SAMP/ACC: Cape Town, 9 February 2015 [online]. Retrieved from: <http://www.afsun.org/./NewGICReport.pdf>. [Accessed 24 September 2017].
- Terre Blanche, M. & Durrheim, K. (eds). 1999. *Research in Practice: Applied Methods for the Social Sciences*. Cape Town: University of Cape Town Press.
- Tshofuti, L. 2016. Benefits and Limitations of the Informal Economy in promoting Sustainable and Inclusive Local Economic Development: A Stellenbosch Case Study. Master of Philosophy degree in Sustainable Development. Cape Town: Stellenbosch University.



- Tshuma, M. C., & Jari, B. 2013. The informal sector as a source of household income: The Case of Alice town in the Eastern Cape Province of South Africa. *Journal of African Studies and Development*, 5(8):250-260.
- Twine. W. 2013. Multiple strategies for resilient livelihoods in communal areas of South Africa. *African Journal Forage Science*, 30(1-2): 39-43.
- United Nations. 2008. *The Millennium Development Goals Report*. New York: UN.
- United Nations. 2015. *The Millennium Development Goals Report*. New York: United Nations.
- United Nations. 2017. *The Sustainable Development Goals Report, 2017: Summary*. New York: UN.
- United Nations Development Programme. 2003. *Millennium Development Goals: A compact among nations to end poverty. Human Development Report 2003*. New York: UNDP.
- United Nations Environment Programme. 2006. *Africa Environment Outlook 2: Our Environment, Our Wealth*. Nairobi: UNEP.
- United Nations Environment Programme. 2007. *Global Environment Outlook GEO4: Environment for Development*. Valletta: UNEP.
- United Nations Environment Programme. 2011. *Towards a Green Economy: Pathways to Sustainable Development and Poverty Eradication*. Nairobi: UNEP.
- United Nations. n.d. *Report of the World Commission on Environment and Development. Our Common Future, Chapter 2: Towards Sustainable Development* [online]. Retrieved from: <http://www.un-documents.net/ocf-02.htm#I>. [Accessed 03 August 2017].
- Vanek, J., Chen, M., Carre, F., Heintz, J. & Hussmans, R. 2014. *Statistics on the Informal Economy: Definitions, Regional Estimates and Challenges*. WIEGO Working Paper (Statistics), No. 2. Manchester: Women in Informal Employment Globalizing and Organising.
- Van Averbeke, W. & Khosa, T.B. 2007. The contribution of small-holder agriculture to the nutrition of rural households in a semi-arid environment in South Africa. *Water SA*, 33: 413-418.
- Van Eeden, A. 2011. The geography of informal arts and crafts traders in South Africa's 4 main city centres. *Town and Regional Planning*, 59 (7): 34-40.
- Verick, S. 2011. The Impact of Globalisation on the Informal Sector in Africa. International Labour Organisation [online]. Retrieved from: [www.researchgate.net.in](http://www.researchgate.net.in) [Accessed 25 July 2017].
- Vithal, R. & Jansen, J. 2010. *Designing your first research proposal: a manual for researchers in education and the social sciences*. Claremont: Juta.



- Wade, A., 2006. Africa's Growth Challenge in a Globalised World. In: Bourguignon, F., & Pleskovic, B, eds. *Growth and Integration: Annual World Bank Conference on Development Economics*. Washington, DC: The World Bank.
- Walmsley, R.D. & Botten, M.L. 1994. *Cities and sustainable development*. Pretoria: Department of Environmental Affairs and Tourism.
- Walsham, G. 2006. Doing interpretive research. *European Journal of Information Systems*, 15: 320-330
- White, H. & Killick, T. 2001. *African poverty at the millennium*. Washington: World Bank
- Willemsse, L. 2011. Opportunities and constraints facing informal street traders: Evidence from 4 South African cities, CRUISE. *Town and Regional Planning*, 59 (7): 7-15.
- Williams, C.C. 2014. *The Informal Economy and Poverty: Evidence and Policy Review*. Sheffield: Joseph Rowntree Foundation.
- World Wildlife Fund. 2012. Living Planet Report [online]. Retrieved from: [wwf.panda.org/lpr\\_living\\_planet\\_report\\_2012.pdf](http://wwf.panda.org/lpr_living_planet_report_2012.pdf). [Accessed 12 July 2017].
- Woodward, D., Rolfe, R., Lighthelm, A. & Guimaraes, P. 2011. The viability of Micro-enterprise in South Africa. *Journal of Developmental Entrepreneurship*, 16 (1): 65-86.
- Yin, R.K. 1994. *Case Study Research: Design and Methods*. California: Thousand Oaks.
- Yin, R.K. 2004. Case Study Methods [online]. Retrieved from: <http://www.cosmoscorp.com/docs/aeradraft.pdf>. [Accessed 10 July 2017].
- Yin, R.K. 2011. *Qualitative Research from Start to Finish*. New York: The Guilford Press.



Yes..... No.....

**7. If your answer to question 6 is 'Yes', in which industry did you work?**

Mining..... Agriculture..... Construction and skilled trade.....  
Catering and hospitality..... Services (including health and education) .....  
Other..... Please specify .....

**8. If your answer to question 6 is 'Yes', for how long did you work in the formal sector?**

Less than 1 month..... 1 to 6 months..... 7 months to 1 year.....  
1 to 5 years..... 6 to 10 years..... 11 to 15 years.....  
16 to 20 year..... Above 20 years.....

**9. If your answer to question 6 is 'Yes', why did you leave your job?**

Retired..... Resigned..... Fired..... Retrenched.....

**10. What was your monthly pay in that job?**

Less than R1 000..... R1 001 to R2 000..... R2 001 to R3 000.....  
R3 001 to R4 000..... R4 001 to R5 000..... Above R5 000.....

**11. Please indicate the type of goods or services you sell**

Farm produce..... Clothing & shoes..... Jewellery & handbags.....  
Bedding / blankets..... Household goods / utensils..... Cooked food.....  
Grocery items..... Services..... Specify type of service .....  
Other..... Specify .....

**12. Is it your own business or are you working for someone?**

My own business..... Working for someone.....

**13. Do you work alone or is there someone helping you?**

Work alone..... Partner helps..... Child helps.....  
Relative helps..... Friend helps..... Paid worker helps.....  
Other..... Specify .....

**14. How long have you been doing your business?**

Less than 1 month..... 1 month to 6 months..... 7 months to 1 year.....  
1 to 5 years..... 6 to 10 year..... Above 10 years.....

**15. Do you sell for cash or credit?**

Cash.....

Credit.....

Why?.....  
.....

**16. How many days do you work in your business per week?**

1.....

2.....

3.....

4.....

5.....

6.....

7.....

**17. How much time do you spend on your business per day?**

Less than 1 hour.....

1 to 2 hours.....

3 to 4 hours.....

5 to 6 hours.....

7 to 8 hours.....

Above 8 hours.....

**18. How many people are in your household**

1.....

2.....

3.....

4.....

5.....

6.....

More than 6.....Write number .....

**19. If your answer to question 18 is not '1', how many people in your household are working and contribute to household needs, for example paying rent, buying food?**

1.....

2.....

3.....

4.....

5.....

More than 5.....

**20. Level of education**

Primary

Secondary.....

College / University.....

**II. RESOURCES AVAILABLE TO INFORMAL TRADERS**

**21. Where did you get money to start your business?**

Own savings.....

Partner / spouse.....

Household member.....

Friend / neighbour..... Relative.....

Took a loan from bank.....

Loan shark.....

**22. How much money did you use to start your business?**

Less than R200.....

R201 to R500.....

R500 to R1 000.....

R1 001 to R2 000.....

R2 001 to R3 000..... Above R3 000.....

**23. From where do you get the goods you sell or the material you use?**

- Formal shops/retailers..... Other informal traders..... I make them myself.....
- 24. If you buy from formal shops or other informal traders, where exactly do you buy the goods you sell or the materials you use in your service?**
- Durban..... Pietermaritzburg..... Mthatha / Kokstad.....
- Johannesburg / Pretoria..... East London / Port Elizabeth.....
- Outside the country..... Write name of place .....
- Other..... Specify .....
- 25. If you do not make the goods and materials yourself, how much do you use to buy the goods or materials per month?**
- R200..... R201 to R500..... R501 to R1 000.....
- R1 001 to R2 000..... R2 001 to R3 000..... Above R3 000.....
- 26. Who goes to buy your stock or the materials you use in your business?**
- Husband / wife..... Friend..... Neighbour.....
- Other informal traders..... Other household member.....
- 27. Are you physically disabled?**
- Yes.....What is your disability ..... No.....
- 28. Do you have any illness that make it difficult for you to do your business?**
- Yes..... No.....
- 29. Are there special skills needed in your trading activity, hairdressing, marketing, catering, mechanics etc.?**
- Yes..... No.....
- 30. Where did you learn the skills?**
- School..... College / University..... Formal sector job.....
- Family / Relatives..... Friends / neighbours..... Other informal traders.....
- Technical and vocational training centre..... Not applicable.....
- 31. Which of the following machines do you use in your business?**
- Computers..... Cellphone..... Welding machine.....
- None..... Other.....Write.....
- 32. How do you travel to and from your business?**

Public transport / Taxis..... Own car..... With other informal traders.....  
 With friends / neighbours..... With household members / relatives.....  
 Other.....Specify .....

**33. What type of accommodation do you live in?**

Own house..... Rent a house..... Shack.....

**III. CHALLENGES FACING INFORMAL TRADERS**

**34. What difficulties / challenges do you face in your work? You can choose more than ONE from the choices given below**

Lack of money to buy goods / material..... Competition.....  
 Lack of money to cover transport costs..... Bad roads.....  
 Unreliable transport..... Lack of a permanent trading site.....  
 Harassment by South African Police Service..... Harassment by municipal police.....  
 Lack of business management training..... Lack of access to loans.....  
 Inadequate storage for goods / materials.....  
 Crime (For example goods or money getting stolen)  
 No protection from bad weather.....  
 Difficult to report ill-treatment by police and municipal authorities  
 Other.....Specify .....

**35. Do you know of any laws, for example municipal by-laws that affect your trading activities?**

Yes No

**36. If your answer to question 36 is Yes, please write 2 of the laws below:**

.....  
 .....

**37. Which of the following people or organisations affect your work?  
 Please choose ONE.**

Alfred Ndzo Municipality ..... South African Police Service (SAPS) .....  
 Local politicians, e.g. ward councillors..... Traditional leaders (Chiefs) .....  
 Other.....Write in this space .....

**38. How do they affect your business?.....**

.....  
39. **Are there goods or services that your culture or religion does not allow you to sell?**

Yes.....

No.....

40. **Write them here .....**

**IV. INFORMAL TRADERS' COPING STRATEGIES**

**How do you deal with the following challenges?**

41. **Lack of money to buy stock or for transport**

Buy less stock.....

Borrow from relatives.....

Borrow from money-lenders.....

Borrow from household members.....

Borrow from friends / neighbours.....

Borrow from other informal traders.....

Sometimes walk to work to cut costs.....Skip going to work on certain days.....

Other.....Specify .....

42. **Competition from other informal traders and big formal businesses**

Start work early and finish late.....

Sell at cheap price.....

Sell a wide variety of goods / services.....

Other.....Specify .....

43. **Harassment by SAPS / municipal police**

Displaying a few goods and hiding the rest.....

Paying bribes.....

Alerting each other when police in sight.....

Run away when police approach.....

**V. SUSTAINABILITY OF INFORMAL TRADING  
(Asset accumulation–Human, Financial, Social & Physical Capital)**

44. **How much money do you make from your business per month?**

Less than R1 000..... R1 000 to R2 000..... R2 001 to R3 000.....

R3 001 to R4 000..... R4 001 to R5 000..... Above R5000.....

45. **How does income from your business change from month to month?**

Goes up a lot.....

Goes up slightly .....

Does not change.....

Goes down slightly.....

Goes down a lot.....

46. **What do you say about the money you get from your business in covering your household needs such as food, clothing, health, education?**
- Much more than enough..... More than enough.....
- Just enough..... Not enough.....
47. **After covering monthly household expenses are you left with money to set aside or save, for example in a bank account?**
- Always (every month)..... Sometimes (in certain months)..... Not at all.....
48. **Are you a member of a rotational group savings club or 'stokvel'?**
- Yes..... No.....
49. **If your answer to question 49 is 'Yes', how has the membership changed your access to money?**
- Greatly improve d..... Slightly improved..... Has not change .....
- Slightly reduced ..... Greatly reduced .....
50. **Is there an informal traders association or union in your area?**
- Yes..... No..... I don't know.....
51. **If answer to question 50 is 'Yes', are you a member of that association?**
- Yes..... No.....
52. **Are there other informal traders that you work closely with?**
- Yes..... No.....
53. **If your answer to question 50 is 'Yes', what help do you get from working closely with these people? You can choose more than one answer**
- Information (for example where to get cheap stock) .....
- Sharing expenses (for example, buying in bulk) .....
- Sharing expenses by sending 1 person to buy stock for group.....
- Skills on how to perform the job or service.....
- Knowledge on how to operate a business.....
- Child-minding / baby-sitting..... I can borrow money from them.....
54. **Which of the following assets have you managed to buy with money from your business?**
- Livestock (cattle, goats, sheep) ..... A house.....
- Household Furniture..... A vehicle (car) .....



Household appliances, for example, tv, fridge, microwave etc.

Other.....Specify ..... None.....

**55. Has your business improved your status in the community (how others treat you)?**

Yes..... No.....

**VI. OUTCOMES OF INFORMAL TRADING FROM RESPONDENTS' OWN PERSPECTIVE**

**56. Do you think the income you get from your business is enough to cover your personal needs and those of your family / household?**

Yes..... No.....

**57. Since you started your business how has your personal health and that of your family changed? Can you also write what you think is a reason for that change**

Greatly improved.....Reason.....

Slightly improved.....Reason.....

Has not changed.....

Slightly got worse.....Reason.....

Greatly got worse.....Reason.....

**58. How has the food availability in your household changed after you started your business?**

Greatly increased.....Reason.....

Slightly increased..... Reason.....

Has not changed.....

Slightly decreased..... Reason.....

Greatly decreased.....Reason.....

**59. How has the amount of money you spend on education for yourself or children changed?**

Has gone up very much..... Has gone up only a bit.....

Has remained the same..... Has gone down only a bit.....

Gone down very much.....

**60. What happened to your living standard, including shelter, since you started your business compared to the time before you started the business?**

Has improved..... Has not changed..... Has decreased.....

**61. What plans do you have for your business?**

Want to grow it.....                      Want to reduce it.....                      Want it to stay the same.....  
 Want to register it and make it formal.....                      Don't know yet.....

**62. If you were offered a job in the formal sector would you take it?**

Yes, if pay is R1 000 to R2 000 per month.....  
 Yes, if pay is R2 001 to R3 000 per month.....  
 Yes, if monthly pay is R3 001 to R4 000.....  
 Yes, if monthly pay is R4 001 to R5 000.....  
 Yes, only if monthly pay is above R5 000                      .....                      Not at all.....

**63. What motivated you to start informal trading? You can tick more than ONE answer**

Unemployment .....                      Poverty .....                      Flexible of working hours.....  
 To avoid paying tax.....                      To get increased income.....                      Had no choice.....  
 Independence of being self-employed.....                      Freedom to make my own decisions.....  
 Other.....Specify .....

**64. What do you think is the major disadvantage of working in the informal sector?**

Uncertain income.....                      Goods get confiscated.....                      No protection from criminals.....  
 Limited access to credit .....                      No social security, like pensions .....  
 Bad working conditions.....                      Sometimes get fined by municipal authorities.....  
 High risk of stress-related illnesses.....  
 Other.....Specify.....

**VII. OTHER LIVELIHOOD STRATEGIES (DIVERSIFICATION)**

**65. Please indicate any other income source that you have, besides this business?**

Child-support grant.....                      Disability grant.....                      Old-age pension.....  
 Money from household member working elsewhere (remittances).....  
 Other.....Write the other source of income here .....

**66. Do you have another informal business at another site?**

Yes.....                      No.....

**67. If answer to question 65 is 'Yes', what do you sell there?**

Farm produce.....                      Clothing and shoes.....                      Jewellery and handbags .....

- Grocery items..... Household goods and utensils.....
- Services.....Write the type of service .....
- Other.....Write .....
- 68. Do you practise any form of agriculture?**
- Yes..... No.....
- 69. If answer to question 67 is 'Yes', what form of agriculture do you do?**
- Crop farming..... Animal production..... Both.....
- 70. Does your household own the land on which you do your farming?**
- Yes..... No.....
- 71. If you do animal farming, which animals do you own?**
- Sheep..... Cattle..... Goats.....
- Chicken ..... Pigs.....
- 72. If you do crop farming, which crops do you grow**
- Maize..... Potatoes..... Vegetables.....
- Other.....Write them down .....
- 73. What do you do with the crops and/or animals you produce?**
- Eat them within the household..... Sell them directly in informal business.....
- Sell them and use the money to buy stock for informal business.....
- Sell them and use the money to buy other household items.....
- Other.....Please explain .....
- 74. Do you sell any goods or use any material from the forest in your work?**
- Yes..... No.....
- 75. Do you use any products from the forests (animals, trees etc), dams or the sea to support your living?**
- Yes..... No.....
- 76. If your answer to question 77 is 'Yes', do you know of any laws that control your use of these products?**
- Yes..... No.....
- 77. If your answer to question 78 is 'Yes', what does the law say?**

.....  
.....  
.....

**78. In your opinion, how big is the effect of that law on your living?**

No effect..... Small effect.....  
Moderate effect ..... Huge effect.....

**VIII. SUPPORT FOR INFORMAL ECONOMY AND OTHER LIVELIHOOD ACTIVITIES**

**79. Do you get support from any of the following?**

Government..... Municipality..... Donors.....  
Private Companies..... Non-Governmental Organisations (NGOs).....

**80. If Yes, what support do you get?**

Money..... Information.....  
Training / skills development..... Food parcels.....  
Casual paid employment.....  
Other.....Write other support you get .....

**81. What do you think the municipality, government, NGOs, donors and private companies should do to support informal businesses like yours?**

Offer credit / loans..... Provide business management training.....  
Provide casual paid jobs ..... Offer skills development programmes.....  
Other.....Specify .....

**82. How can the municipality, government, NGOs, donors and private companies help to address the challenges you face in your work?**

.....  
.....

*Thank You. Your participation in the study by completing this questionnaire is greatly appreciated.*

Prepared by: Wenceslous Mago

## **APPENDIX 2: SEMI-STRUCTURED INTERVIEW GUIDE**

UNIVERSITY OF THE FREE STATE

FACULTY OF ECONOMIC AND MANAGEMENT SCIENCES

INTERVIEW GUIDE FOR MASTERS IN DEVELOPMENT STUDIES THESIS

### **RESEARCH TOPIC:**

Understanding Livelihood Strategies of Informal Traders: A Case of Mount Frere, Eastern Cape.

### **RESOURCES AVAILABLE TO INFORMAL TRADERS**

1. Where did you get money to start your business?
2. How much money did you use to start your business?
3. Where do you get the stock (goods / material) for your business?
4. How much money do you use to buy the goods / material per month?
5. Who goes to buy the goods / material?
6. Do you have any physical disability?
7. Do you have any illness that sometimes makes it difficult for you to do your work?
8. Are there special skills required in your work?
9. If so where did you learn the skills?
10. How do you travel to and from work where you do your trading activities?
11. Do you live in your own house or do you pay rent?

### **CHALLENGES AND COPING STRATEGIES**

12. What difficulties/challenges/problems do you face in your work?
13. What laws affect your trading activities?
14. What are some of the organisations or individuals that affect your work?
15. Are there any goods or services that your culture or religion does not allow you to trade?
16. What do you do to fight the challenges you mentioned above?

### **SUSTAINABILITY OF INFORMAL TRADING**

(Asset accumulation – Human, Financial, Social and Physical Capitals)

17. How much money do you make from your business per month?
18. Does the money you get change from month to month? How does it change and what are the reasons for it to change like that?
19. Is the money you get enough to cover household needs such as food, rent, clothing, health and education?
20. If not, what necessary expense are you not able to cover with the money you get from your business?
21. Is the money you get enough for you to save some of it after covering household needs?
22. Are you a member of a group rotational savings club or any informal trading association?
23. Are you a member of any informal traders' association?
24. What help or assistance do you get from other informal traders who do the same activity in your area?
25. Has your business enabled you to afford some assets that you could not afford before you started the business?
26. Has the business changed your status like how people respect you in the community?

#### **OUTCOMES OF INFORMAL TRADING FROM RESPONDENTS' OWN PERSPECTIVE**

27. Do you think the income you get from informal trading is enough to cover your needs and those of your family?
28. What has been the impact of your participation in the informal sector and the money you get from it on the following:
  - a. food, clothing and other basic needs of the household
  - b. personal and family health
  - c. children's education
  - d. accommodation and living conditions
29. If you were offered a job in the formal sector would you consider taking it?
30. What is the main factor that caused you to decide to join the informal sector?
31. What do you think is the main disadvantage of working in the informal economy?

#### **OTHER LIVELIHOOD ACTIVITIES (DIVERSIFICATION)**

32. Besides this business, what is your other source of income?
33. Do you practise any form of agriculture?

34. If 'Yes' do you own the land on which you do farming?
35. If you practise agriculture what do you do with the crops / animals you produce?
36. Do you sell any goods or use any material from the forest, dams or seas to support your living?
37. If your answer to question 54 is Yes what do the laws control your use of products from these sources?
38. How do these laws affect your activities to generate income or a good living?

#### **SUPPORT FOR INFORMAL ECONOMY AND OTHER LIVELIHOOD ACTIVITIES**

39. Do you get any assistance from the government, municipality, NGOs, donors or any private companies?
40. How do you think they should be assisting informal traders in fighting the problems they come across in their work?

*Thank You. Your participation in the study by taking part in this interview is greatly appreciated.*

Interview guide prepared by: Wenceslous Mago

**APPENDIX 3: INTERVIEW CONSENT FORM**

**UNIVERSITY OF THE FREE STATE**

**FACULTY OF ECONOMIC AND MANAGEMENT SCIENCES**

**INTERVIEW CONSENT FORM**

- I ..... have understood the purpose of the Study explained to me by .....
- I have been given the opportunity to ask questions about the Study.
- I understand that taking part in the Study will include being interviewed and recorded.
- I have been given adequate time to consider my decision and I agree to take part in the Study.
- I understand that my personal details such as name will not be revealed to people outside the research project.
- I understand that my words may be quoted in the research output or report, but my name will not be used.
- I agree to assign copyright to whatever information I may provide to this project to the University of the Free State.
- I understand that I can withdraw from the Study at any time and I will not be asked any questions about why I no longer want to take part.

Name of Respondent: \_\_\_\_\_ Date: \_\_\_\_\_

Researcher's Signature: \_\_\_\_\_ Date: \_\_\_\_\_

Adapted from Bryman (2012 : 141)



## APPENDIX 4: FACULTY CLEARANCE LETTER



17<sup>th</sup> November, 2017

### To whom it may concern

Dear Respondent

Mr Wenceslous Mago, student number 2012113631, is a Master's student at the Centre for Development Support, in the Faculty of Economic and Management Sciences, University of the Free State. He is conducting a research titled "Understanding the Livelihood Strategies of Informal Traders: A Case of Mount Frere, Eastern Cape," and your business has been chosen to participate in this research. The information gathered will be used by the researcher only for the purpose of the study. It will be treated with strict confidentiality. Please be as accurate and honest as possible in answering all the questions. Your cooperation is highly appreciated.

Yours Sincerely

**Wenceslous Mago**

Researcher

Cell: +27 78 592 1425

Dr. Neneh Brownhilder

Supervisor

0514012156