

DYNAMICS OF THE INFORMAL SECTOR IN SOUTH AFRICA: INTRODUCTORY REMARKS

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INTRODUCTION

The informal sector gained prominence within conventional economic discourse following the International Labour Organisation's (ILO) mission to Kenya in 1971 (Bernards, 2017). A key contribution of this mission was its comprehensive approach to assessing employment challenges, which emphasised the informal sector's vital role in poverty alleviation and inequality reduction. This perspective has transformed views of the informal economy, framing it not merely as an extension or shadow of the formal economy but as a distinct, dynamic sphere of economic activity. In this context, individuals engage not only in trading goods and services but also in exchanging ideas, cultural practices, and survival strategies, thereby creating a vibrant ecosystem with significant social, economic, and cultural relevance.

Recommendations from the ILO mission marked a critical shift in the theoretical understanding of the informal sector, particularly in South Africa, where it is viewed as a resilient and adaptive domain meeting socio-economic needs, especially in areas with limited formal employment opportunities. Such recognition highlights the informal sector as a diverse network of enterprises and workers who innovate to sustain livelihoods, contributing substantially to the economy. It underscores the sector's complex structures, where informal business activities stimulate local economies and promote social cohesion and community empowerment (Bernards, 2017).

The ILO's findings highlight the informal sector's significance as a tool for employment creation and a vital source of livelihood in developing nations. Historically, economic growth was expected to reduce dependency on the informal sector as jobs migrated to the formal economy; however, South Africa's informal sector remains critical despite the reported economic growth statistics (Musara & Nieuwenhuizen, 2020; Blades, Ferreira & Lugo, 2011). In 2003, former President of South Africa, Thabo Mbeki, famously referred to the informal economy as the 'second economy' in a speech to the National Council of Provinces, drawing attention to its unique role within the broader economic landscape. Mbeki characterised this second economy as "underdeveloped, contributing little to

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South Africa's Gross Domestic Product (GDP), yet encompassing a large percentage of the population, particularly the rural and urban poor" and emphasised that it was "structurally disconnected from both the first and global economies", inhibiting self-sustained growth and development (Rogan & Skinner, 2017:4).

Studies such as those of Mahlangu (2024), Musara and Nieuwenhuizen 2020 and Blades et al. (2011) support Mbeki's observations. Thus, the informal sector plays a vital role as a source of livelihood and is a fertile ground for entrepreneurial ventures in South Africa. Blades et al. (2011) indicate that a significant portion of the population relies on the informal economy for survival. Similarly, Mahlangu (2024) affirms that over two-thirds of enterprises in South Africa originate in the informal sector, which accounts for over 10% of the national Gross Domestic Product. Against this background, this book, *Dynamics of the Informal Sector in South Africa*, offers diverse insights into the informal economy, exploring the resilience, policy frameworks, and adaptive strategies of entrepreneurs in this vital sector, and illustrating its dynamic nature. The book is structured into five themes:

- Overview of the informal sector in South Africa.
- The gendered resilience of the informal sector in South Africa.
- Policy and governance perspectives of the informal sector in South Africa.
- The informal sector in the digital age.
- Case studies of the informal sector in South Africa.

The five themes, as well as the chapters contained therein, are presented as follows.

OVERVIEW OF THE INFORMAL SECTOR IN SOUTH AFRICA

In Chapter 2, Petunia Matlala and Knowledge Shumba provide a comprehensive overview of informal sector entrepreneurship in South Africa. The chapter sets the scene by revealing the dynamic nature of the informal sector, its challenges, and its remarkable socio-economic significance in the South African context. The chapter reveals the informal sector as a resilient and essential component of the South African economy that provides livelihood opportunities for a substantial segment of the population, particularly in urban areas. The chapter examines the distinctive attributes of informal enterprises and their significant contributions to employment, income generation, and economic resilience. Matlala further highlights the regulatory framework, challenges in accessing finance, pathways for integrating informal enterprises into the formal economy, and related policy considerations. Through a focus on the South African context, the chapter provides an understanding of the informal sector's role within the economic landscape and its implications for sustainable development and inclusive growth strategies.

Chapter 3 by Mmacheone Ngoakwana Modiba, Isaac Nkoana and Loveness Sawada explores the socio-economic impact of informal businesses in South Africa. This chapter

emphasises the role of informal businesses as sources of income and employment for those excluded from the formal economy. Despite their contributions, these businesses face significant obstacles, such as a lack of government support, regulatory challenges, financial exclusion, and social stigma, which limit their growth and economic impact. Through the modernisation theory framework, the authors argue that these systemic issues prevent informal businesses from fully contributing to socio-economic development. The chapter recommends collaboration between the government, the private sector and NGOs, along with inclusive policies that can curb the social stigma attached to the informal economy to ensure the full integration of informal businesses into the mainstream economy.

THE GENDERED RESILIENCE OF THE INFORMAL SECTOR IN SOUTH AFRICA

A recurring theme throughout the book is the gendered experience of entrepreneurship in the informal economy. In Chapter 4, Maphelo Malgas focuses on the challenges encountered by entrepreneurial women in the informal retailing environment. The author reveals that women entrepreneurs' lack financial support for a start-up, perform multiple roles in their families that hinder the full participation in their entrepreneurial ventures, suffer a lack of training and development, and do not get a fair deal from suppliers. The author recommends government intervention to create a conducive environment to enable microfinance institutions to develop funding models targeted at women entrepreneurs and the extension of existing cooperative relationships among women entrepreneurs, including traders' associations and business-focused *stokvels*.

In Chapter 5, Vuyelwa Carol Magagula, Nsizwazonke Yende and Thandeka Primrose Sabela, advancing the gendered experiences of informal sector entrepreneurship, use the Sustainable Livelihood Approach framework to examine the challenges facing women-owned informal home-based businesses, particularly focusing load-shedding as one of the key challenges. The chapter highlights that load-shedding disproportionately affects women-owned informal home-based businesses and recommends coping strategies such as investments in alternative energy sources, income diversification, and building a strong social capital base to assist in dealing with emotional and financial strains facing women who own informal home-based businesses.

Another gendered perspective of the informal sector is expressed in Chapter 6 by Rachel Nishimwe-Niyimbanira and Lucille Nonzwakazi Maqubela, who focus on the resilience of informal sector entrepreneurs post-Covid-19. The authors reveal how shocks such as the Covid-19 crisis deepen vulnerabilities within the informal economy, especially for female street vendors. The weak recovery in this sector highlights pre-existing inequalities and the need for targeted assistance, particularly to help women navigate post-shock challenges. To foster resilience, the authors recommend that governments support the informal economy by improving access to financial aid, promoting digital skills, and offering financial literacy training.