

# FACTS, POLICY, AND CONCEPTUAL DISCUSSION ON THE INFORMAL SECTOR

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## INTRODUCTION

The global economic advancement has had to embrace a diverse manifestation of trade practices, one of which is informal trade. The informal sector is said to have shown resilience and widespread prevalence throughout the world as indicated by the global trends and size. A study conducted in South Africa on the informal sector, specifically those that engaged in food business, estimated it to have generated R87 billion a year. Likewise those that engaged in the informal backroom rental industry is estimated to generate R30 billion (Thwala et al., 2023). Globally, nearly two billion people make their living through the informal economy and about 85% of people in Africa are employed within it. Furthermore, the informal sector contributes about 55% of Sub-Saharan Africa's gross domestic product (Masuku & Nzewi, 2021). Keith Hart (1973, 1985), a British anthropologist, who mentioned the term informal sector in his work in the 70s, described the then contemporary displays of this sort, now widely identified, as the informal sector. At the time, he used the term to refer to economic activities in developing countries that were unconventional compared to those in developed economies, which had transitioned to form industries. However, with the informal trade practices finding further expression as time progressed in different parts of the globe, attempts to understand the sector as it grows have been made continuously. "The International Conference of Labour Statistics for instance forwarded a definition that encompasses a wide view stating that the informal sector (enterprise-based definition) refers to the production and employment that takes place in unincorporated, small or unregistered enterprises. The sector is characterized by ease of entry, reliance on indigenous resource (and knowledge), family ownership, small scale operation, labour intensive and adapted technology, skills developed outside of formal training and an unregulated and competitive market" (Jiyane et al., 2013:709).

Just as economic realities consistently evolve, so do concepts used towards better understanding of the manifestations of diverse economic phenomena, as influenced by the advancement of time and consequently practice. Various voices have attempted to reflect and refine what is meant by informal sector in their immediate and broader context beyond Hart's attempts. Such can be seen in a statement made by the former

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president Thabo Mbeki who argues that the informal sector is a second-class economy that is (to be) looked upon with the fear of it being a fertile ground for illegal practice as a synonymous feature of informality (Dalu et al., 2017). Along with sentiments such as "I think our definition around what we used to think of as the informal sector versus the formal sector is changing fundamentally" by Swanepoel of Mastercard as referred to in Benhura and Mangelo (2020), these authors indicate a need to re-evaluate previously held positions about the definition of the informal sector.

First, sentiments such as those by former President Mbeki and Keith Hart (1973, 1985) view the sector as a default opposite of the formal economy. Whereas Swanepoel views it as a comparative. The former position often views the informal sector as a feature that occurs minimally and almost unnaturally in transit points and in the periphery of urban economic activities. This set-up is often deemed to exist to cater for poor commuting employees and the impoverished population through chaotic and uncoordinated trade technics, hence 'informal', seen to disturb formal business, and is otherwise a decoy for criminal activities. Hence, the sector is seen to devalue economic gains due to unregulated entry, illicit goods and unaccounted for cash flow based on the inability to impose a formality drawn from the blueprint of the formal sector (Benhura & Mangelo, 2020).

Secondly, regardless of such views, the Swanepoel acknowledges the informal sector as a positive contrast to the formal sector. This is so since the informal sector has continued to cushion the poor and has given the despondent confidence by preserving indigenous knowledge kept in the informal market as cultural symbols and commercial products. For instance, in South Africa, approximately 72% of the black population make use of traditional medicines, which are used to treat a variety of illnesses. Medicinal plants are also used in cultural and religious practices, such as protection in witchcraft and ritual purification. As consumer populations grow and with no easily available substitutes, the demand for medicinal plants is increasing in South Africa and the trade is estimated to be worth approximately R2.7 billion per annum, which represents 5.6% of South Africa's national health budget (Ah Goo & de Wit, 2015, 70).

Thirdly, the definition and description of the informal sector have, as seen above, been a contested ground between contradicting and often conflicting views, while also suffering sweeping generalisation that has led to a difficulty in understanding and valuing the sector. Mashimbyi (2021) argues that the absence of reliable data and statistics concerning the informal sector has resulted in slow progress in developing an internationally accepted standard definition that would assist in bringing clarity and understanding (currently lacking) of the magnitude and nature of the informal sector. This would in turn be a blueprint that countries can use as a basis for their different contexts to create effective policies and practical solutions.

Despite the preceding shortcomings, the informal sector contributes to household income and to the economy in general. Statistics South Africa for instance, reports