INTEGRATING THE INFORMAL SECTOR: INSIGHTS FROM MUNICIPAL INTEGRATED DEVELOPMENT PLAN IN CAPRICORN DISTRICT OF LIMPOPO PROVINCE, SOUTH AFRICA

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INTRODUCTION

The informal sector, or economy, is a complex concept with diverse implications. Scholars have not reached a consensus on a definition for and a theoretical approach to it (Dell'Anno, 2022; Williams, 2023). Although there are different definitions, having a clear understanding of the concept of 'informality' is essential. Informality is a situation that arises either from individuals and businesses deliberately avoiding taxes and social contributions or as a fallback for those who lack the education, skills or access to public and financial services needed for formal employment (Deléchat & Medina, 2020). Informality is most prevalent in developing countries due to exclusion from the formal economy and to barriers such as high registration costs, lack of skills, or legal restrictions; hence, the informal sector includes small-scale, unregistered businesses, casual self-employed workers, and informal salaried workers who do not have official contracts (Adeola et al., in Osuji et al., 2019).

The informal sector plays a crucial role in the socio-economic development of developing nations by contributing to employment generation, improving sustainable livelihoods, and fostering economic growth. Despite its unregulated nature, the sector serves as a significant source of income and sustenance for a large portion of the global population, particularly in regions where formal employment opportunities are limited (Sultana et al., 2022). One of the primary contributions of the informal sector is its role in employment creation. In many developing economies, formal job opportunities remain scarce due to structural constraints, bureaucratic challenges, and limited industrialisation. The informal sector absorbs a substantial portion of the labour force, offering jobs to individuals who might otherwise remain unemployed (Misra et al., 2024), although these jobs, often lacking security benefits and legal protections, provide income for millions of people, reducing poverty and economic vulnerability. Furthermore, the informal economy enhances sustainable livelihoods by enabling individuals to engage in small-scale entrepreneurial activities, self-employment, and family-run businesses (Thwala et al., 2023). Many informal sector workers engage in activities such as street vending, handicrafts,

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and small-scale manufacturing, which contribute to household income stability. These economic activities, while informal, play a vital role in sustaining local economies, fostering community resilience, and ensuring food security for many marginalised groups. Lastly, the informal sector also contributes to overall economic growth by stimulating demand, increasing productivity, and promoting innovation. While often overlooked in official economic statistics, informal businesses generate significant economic growth (Sultana et al., 2022). The significance of the informal economy is further highlighted by estimates from the International Labour Organization that indicate that over 60% of the global workforce relies on informal employment for their livelihood (ILO, 2020). Ohnsorge and Yu (2022) also indicate that one-third of production and more than two-thirds of employment are generated by informal economic activities. This shows the necessity of development policies and strategies that acknowledge the role of the informal sector while working towards better integration, regulation, and support for informal workers.

Despite the recognised contributions of the sector, the informal economy is sometimes perceived as problematic due to its association with street congestion, crime, and threats to public order. This perception is largely influenced by the prevailing modernisation paradigm, which, as noted by Wegerif (2020), tends to favour corporate-owned supermarkets over local street vendors and small-scale businesses. Consequently, informal traders often struggle to compete and sustain their businesses. To survive, they frequently rely on unofficial credit sources with high-interest rates and face significant barriers to accessing government support, information, technology, and education due to the sector's unorganised nature. Given the above context and extensive research on the informal sector's economic impact (Karpushkina et al., 2021; Uzyakova, 2022), challenges (Fourie, 2018; Simba & Tajeddin, 2023), and issues related to formalisation and legalisation (Harfadli et al., 2024; Zogli, 2024), there remains a gap in the literature as limited attention has been given to how the informal sector can be effectively integrated into local development planning and implementation processes. Thus, this chapter explores the importance of integrating the informal sector into local government development strategies and highlighting shortcomings in existing approaches. It is structured as follows: First, it provides a theoretical background on the informal sector and various development approaches. It then examines the motivations of informal workers, evaluates the sector's contributions to social and economic development, and identifies the key challenges it faces. Additionally, the chapter reviews local initiatives designed to empower the informal sector, discusses the role of municipal integrated development planning, and presents insights from an analysis of the Capricorn District and its local municipalities' integrated development plan.

METHODOLOGY

This study adopted a qualitative research approach and secondary data collection methods to examine the integration of the informal sector into the local government's