

INFORMAL SECTOR DYNAMICS: FUTURE DIRECTIONS BEYOND SOUTH AFRICA

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The informal sector is highly dynamic, encompassing various dimensions and activities. It faces diverse challenges yet makes significant contributions to the development of nations worldwide. The chapters in this book clearly demonstrate that the informal sector plays an important part in tackling the socioeconomic difficulties that many countries throughout the world face. The informal sector plays a vital role not only in creating employment opportunities for the poor and disadvantaged but also as a crucial safety net supporting a diverse range of livelihood activities, especially in rural areas and townships. Millions of poor people across Africa, Asia, and many other developing regions rely on the informal sector, a vast and complicated sphere of activity, for a living. Some of the most popular informal enterprises are spaza shops, shebeens, and liquor stores, hairdressing, takeaway food, religious services, street merchants, mechanical repair services, greengrocers, recycling, and healthcare services, to name a few.

Activities in the informal sector cover various subsectors including manufacturing, construction, community, social, and personal services, wholesale and retail trade, financial services, transport, storage, and communication, and many others. The operations of these activities contribute to the employment of more than half of the worldwide workforce. In Africa, the informal sector, which accounts for approximately 55% of the continent's Gross Domestic Product (GDP), makes a significant contribution to developing countries' economies by creating jobs, producing and supplying affordable goods and services, and reducing poverty. Unfortunately, such job prospects are frequently connected with low productivity, poverty, low pay, and underemployment. Because of the limited rights at work, the lack of adequate chances for high-quality employment, and the absence of efficient social protection, informality is therefore associated with vulnerability (United Nations (UN), 2024; Ogada et al. 2024; GSMA, 2023; Musara & Nieuwenhuizen, 2020).

Women, youth, people with disabilities, and indigenous people make up a disproportionate share of the workforce in the informal economy. Furthermore, the informal economy encompasses all productive endeavours carried out by people or businesses that are legally or practically excluded from formal arrangements outlined by laws and

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regulations. As a result, low levels of social protection and a disregard for labour laws are common characteristics of work in the informal economy (International Labour Organization, 2013). The informal sector is frequently undervalued and unsupported, while being a substantial part of the economy that aims to sustain a sizable number of workers and informal traders. As a result, governments' and economists' programmes for the informal sector are frequently ineffective. The sector is complicated and challenging to measure because it is maintained by underdevelopment brought on by inadequate physical and human capital. This and numerous other structural impediments and limitations contribute significantly to the informal economy's unviability.

The poor usually use the informal sector as a means of subsistence. Informal workers and informal micro-entrepreneurs function at the survivalist level. The informal sector offers jobs with lower-than-average pay for survival. At its worst, the informal sector can include unpaid labourers in family businesses, casual wage jobs, home-based workers or service providers, and street vendors. These businesses are the only way for the impoverished in slums, and rural areas who are exposed to natural disasters or severe urbanisation to make some kind of living. Traditionally, they serve as a buffer, limiting increases in general unemployment and absorbing shocks to the formal sector. Additionally, the sector functions as the 'shadow economy' or 'grey economy,' which refers to business operations carried out by independent contractors and economic entities without official contracts. As a result, when they do exist, significant facets of labour relations are founded on social and personal ties rather than legally protected contracts. Additionally, participants in this sector have clearly low educational backgrounds, which is linked to a lower literacy rate and fewer abilities than formal workers. Informal labourers work longer hours without anticipated redress, and there are no procedures for skills development or vocational training.

The largest issue facing this sector is that low-income individuals are not provided with financial services because doing so has always been seen as difficult and expensive. This is primarily because managing small sums of money entails disproportionately high transaction costs and providing services to sparsely populated areas is challenging. Additionally, numerous studies have shown that banks are reluctant to serve low-income clients, who make up most of the population in developing nations. Due to this, the sector deals with several difficulties, such as restricted access to markets and funding, unfamiliarity with emerging and evolving technologies, and a lack of knowledge, expertise, and comprehension of Information and Communication Technologies (ICTs). Most people worldwide are still served by the informal sector despite all these obstacles and the negative connotations attached to it. This includes examples in the food sector, electronics and the like. The informal sector is a vital component of the economy and contributes significantly to the economic development of sub-Saharan Africa by serving as 'conduits of employment' for the supply of goods and services. For the majority of South Africans who are unable to find work in the formal sector, it plays a crucial role in creating job prospects. Most workers in developing nations such as those in Asia and