

Informal employment in South Africa: Still missing pieces in the vulnerability puzzle

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ABSTRACT

The informal economy in South Africa offers an alternative and often long-term means of survival to thousands of people who cannot find formal employment. However, it is small relative to that in other developing countries and under-researched. The emergence of informal employment activities, such as day labouring, has made it imperative to reconceptualise the relationship between casualised employment and wider patterns of labour market restructuring. This article contextualises the need to study the vulnerabilities of informal workers in South Africa, both in the current literature and the general discourse, and to identify those issues that must head a refocused research agenda on the broader informal sector in South Africa. Prominent agenda items ought to include: the expanding role of local and foreign migrants; shifting patterns in the level of human capital attainment; why subjective well-being is so high among informal workers; varying spatial characteristics; and the different survival strategies of participants in informal employment activities such as day labouring, waste picking and car guarding. The article also stresses the need for more interdisciplinary microeconomic analyses set against a backdrop of institutional failure, which will help to address the possible diminishing intellectual returns evident in the area of informal sector research.

Key words: Informal economy; informal employment; informal sector; day labouring; waste picking; casualised employment

Introduction

In South Africa, the informal economy constitutes an important component of the larger economy, offering people an alternative economic outlet in the face of job shortages in the formal sector (Ligthelm 2004b). A pronounced feature of South Africa's informal economy is that when compared with peer-group countries, its contribution to total employment is relatively small (Kingdon & Knight 2001; 2004). Moreover, its contribution appears to have been shrinking over the past two decades, from approximately 20 per cent in 2000 to roughly 16 per cent in 2015 (Burger & Fourie 2015). It seems as if there has been a stable trend since 2009 (Statistics South Africa 2015). See Figure 1.

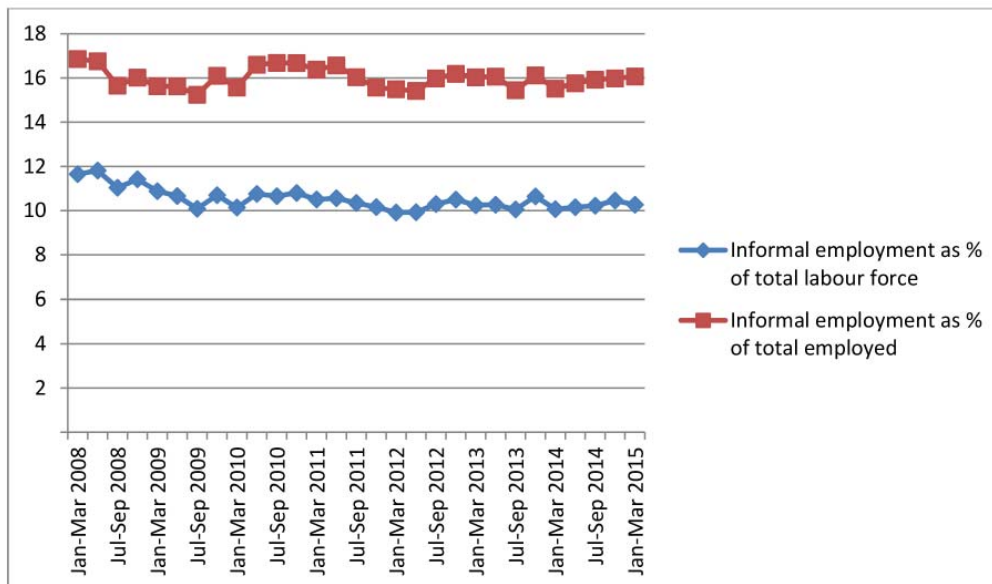


Figure 1: Total informal employment as a percentage of the total labour force and formal employment in South Africa 2008-2015

Source: Statistics South Africa (2015) and author's calculations

The relative stability observed in the aggregate statistics masks underlining dynamics in South Africa's informal economy. For example, the expansion of informal employment activities such as day labouring, in both advanced and emerging economies, calls into question many of the prevailing analyses of the state of informal occupations (Theodore, Blaauw, Schenck, Valenzuela Jr., Schoeman & Meléndez 2015). As a result, the relationship between casualised employment and wider patterns of labour market restructuring must be reconceptualised. Clearly,

there is an urgent need for research to document and analyse the vulnerabilities workers face in the informal economy (Theodore et al. 2015).

This article is a theoretical study aimed at synthesising existing theory to contextualise this urgent research agenda in light of current research on the informal economy and informal employment in South Africa. Specifically, the purpose of the article is to provide a synopsis of the current state of research into informal employment. The objective is to identify the knowledge gaps in understanding these vulnerabilities. This will provide the foundation for further research in response to the call of Theodore et al. (2015).

The main body of the article starts with a broad discussion on the concept of the informal economy, followed by a brief, traditional theoretical framework in which the informal economy in South Africa is analysed. The characteristics of the informal economy, as gleaned from the international and South African literature, are presented and compared; the current state of research is analysed; and the key knowledge gaps identified. The paper concludes with some thoughts on a future research agenda.

The concept of “informal economy”

Researchers are not in agreement on what should be understood by the term “informal economy” and how it should be measured (Williams & Windebank 1994). As a result, there is no single, widely-accepted definition or measure of the informal economy – a problem that confronts all researchers studying the informal economy (Benjamin & Mbaye 2014).

The measure chosen by researchers generally depends on their specific perspective of informality (Andrews, Sanchez & Johansson 2011). The preferred definition, in turn, mostly informs the sampling method, conclusions and any policy recommendations that follow the research (Benjamin & Mbaye 2014). This approach is consistent with the notion that informality is a multi-faceted concept (Andrews et al. 2011) and confirms the view of Benjamin and Mbaye (2014) that it can be misleading to use a single criterion to define the informal economy. They advocate that informality is better described as a continuum defined by an arrangement of the available criteria (Benjamin & Mbaye 2014).

This study follows the distinction made by the International Labour Organization (ILO) (2013) between employment in the informal economy and informal employment, that is, people employed in informal jobs. Employment in the informal economy and “informal employment” are different features of the broader notion of informalisation of employment (ILO 2013). The conceptual framework in the 17th ICLS guidelines therefore: “...links the enterprise-based concept of employment in the

informal economy in a coherent and consistent manner with a broader, job-based concept of informal employment” (ILO 2013: 37).

Table 1: Conceptual framework for informal employment (17th ICLS guidelines)

Production units by type	Jobs by status in employment								
	Own account workers		Employers		Contributing family workers	Employees		Members of producers' cooperatives	
	Informal	Formal	Informal	Formal	Informal	Informal	Formal	Informal	Formal
Formal economy enterprises					1	2			
Informal economy enterprises	3		4		5	6	7	8	
Households	9					10			

Source: ILO (2013: 37)

The ILO (2013: 37) explains the framework as follows:

“Cells shaded in dark grey refer to jobs which by definition do not exist in the type of production unit in question. Cells shaded in light grey refer to formal jobs. Unshaded cells represent the various types of informal jobs.”

The ILO (2013: 37) defines informal economy enterprises as follows:

“... the 15th ICLS resolution (excluding households employing paid domestic workers)” while households are: “... producing goods exclusively for their own final use and households employing paid domestic workers”.

In terms of the ILO (2013) framework, informal employment covers Cells 1 to 6 and 8 to 10. Employment in the informal economy covers Cells 3 to 8. The framework makes provision for being informally employed outside the informal economy, that is, Cells 1, 2, 9 and 10 (ILO 2013: 37).

This article deals specifically with day labourers and waste pickers. Day labourers are an example of what Bertulfo (2011: 2) calls an informal wage employment job. In terms of the above framework, day labourers fall into Cells 2, 6 and 7. Waste pickers are informal workers who can potentially fall into Cell 8 if they are part of a cooperative venture. In terms of the approximation provided by Andrews et al.

(2011: 7), waste pickers can potentially be regarded as informal workers employed by firms that produce all or part of their output informally. However, most waste pickers work for themselves, collecting recyclables and selling these to buy-back centres operating in the formal part of the waste value chain. It could, however, be argued that Andrews et al. (2011: 7) view waste pickers as being part of the second category of the approximation, that is, *“Informal self-employed (i.e. self-employed without employees) who operate completely informally... This group includes (but is not limited to) unlicensed street traders ... self-employed tradespeople ...”* Waste pickers can be added to that list. Andrews et al. (2011: 7) provide a third category for the informal economy, namely *“Informal production by firms: This type of informality comprises formal or informal firms (with employees) doing all or part of their business ‘off the books’, such as avoiding paying VAT..”*

The empirical analysis in this article focuses primarily on informal workers such as waste pickers, day labourers, car guards and part-time domestic workers as these informal employment activities have not always received the necessary attention in the literature.

Theoretical framework and approaches to studying the informal economy

Most scholars distinguish between three broad approaches to studying the source, dynamics and persistence of the informal economy (Chen, Vanek & Heintz 2006; Wilson 2011). These are the dualist approach, the structuralist approach (sometimes known as the neo-Marxist approach) and the legalist approach (sometimes known as the neoliberal approach) (Wilson 2011).

Researchers adopting the dualist approach view the informal economy as autonomous from the modern capitalist sector, offering a safety net to low-skilled, rural-to-urban migrants seeking to earn a living in any way they can (Wilson 2011).

Dualistic models see the informal economy as merely a passive homogeneous entity, ignoring the peculiarities and dynamics within it. This oversight has contributed to inappropriate analyses and incorrect policy planning and implementation (Mehrotra & Biggeri 2007: 3–4). Growing appreciation of the uncertainties and practical interdependencies stemming from sub-contracting, franchising, hidden wage labour and dependent working that exist between the informal and formal sector, has led to the development of alternative approaches to the informal sector, such as the structuralist approach (Bromley 1990: 337).

The structuralist approach stresses the linkages between the formal and informal economies and emphasises that the latter is subsumed and exploited by the former (Guha-Khasnobis & Kanbur 2006: 1; Wilson 2011). Researchers tend to focus on

informal wage workers who are often subcontracted or otherwise hired informally by formal businesses that circumvent labour legislation.

Researchers adopting the legalist approach view the informal economy as a rational response to over-regulation in the formal economy (De Soto 1989; Saunders 2005). Wilson (2011: 206) sums it up as follows: *“They see the informal economy as a hotbed of emerging entrepreneurs, constrained only by unnecessary, slanted, and superfluous legislation”*.

Each of the above theoretical approaches gives rise to different definitions of the informal economy. There are, however, certain key characteristics of the informal economy that emerge from the international literature, irrespective of the study approach being followed.

Characteristics of the informal economy gleaned from international literature

A notable feature of the informal economy is that it thrives mainly in proximity to its formal counterpart (Dimova, Gang & Landon-Lane 2006: 103). It provides a means of survival to the vast majority of poor and extremely poor workers in a society, and can play a role in unlocking entrepreneurial potential – which could otherwise get caught in a mesh of formality (Guha-Khasnobis & Kanbur 2006: 6).

Informal workers are not, however, protected by law and are therefore vulnerable to various forms of abuse and exploitation (Theodore et al. 2015). With the informal sector being largely an urban phenomenon, the expansion of the sector could potentially exacerbate the spread of slums and congestion, and lead to health deficiencies and a compromised environment (Guha-Khasnobis & Kanbur 2006: 6).

Although the informal economy in South Africa broadly evidences the above characteristics, it is nevertheless prudent to study the country-specific literature on the topic to gain a better understanding of the unique features of South Africa’s informal economy.

The nature of the informal economy in South Africa

The South African informal sector has attracted increasing attention from researchers over the last three decades. Important examples include the work of Rogerson and Beavon (1980), Loots (1991), Muller (2003), Kingdon and Knight (2001), Devey, Skinner and Valodia (2003), Martins (2004), Ligthelm (2004a; 2004b; 2006; 2013), Saunders (2005), Heintz and Posel (2008), Blaauw (2010) and Viljoen (2014).

The informal economy suggests different things to labour economists, criminologists, macroeconomists and national income accountants (Saunders 2005:

2). However, a synthesis of the literature on the informal economy in South Africa reveals a number of key characteristics.

South Africa's informal economy is relatively small, yet long term in nature

Saunders (2005) and Ligthelm (2006) provide a thorough exposition on the various options for measuring the informal economy. Most of the studies aimed at determining the size of the informal economy concentrate on the percentage contribution to gross domestic product (GDP), the number of participants in the economy, or the number of informal enterprises in operation (Saunders 2005: 118). Table 2 offers various size estimates of South Africa's informal economy given over the years¹.

Table 2: Selected estimates of the size of South Africa's informal economy

Author(s) and date	Results in terms of size
Loots (1991)	12% of GDP in 1989
Schneider (2002)	28.4% of GDP for 1999-2000
Saunders (2005)	7% of GDP in 1999 Averaged 9.5% of GDP from 1966 to 1993
Ligthelm (2006)	4.6% of GDP in 2004
South African LED Network (2012)	28% of GDP in 2012

Source: Author's compilation

Muller (2003: 14) reaches the significant conclusion that despite the possibility of improved data gathering, informal employment would still have been underestimated due to inherent difficulties in capturing information about illegal activities. Irrespective of the absolute numbers determining the size of the informal sector in South Africa, there is a persistent trend that the sector absorbs only a very small proportion of the workforce by developing country standards (Kingdon & Knight 2004; Saunders 2005: 187).

Although relatively small, the informal economy in South Africa is distinctly long term in nature. Between 1951 and 1991, the average duration of an informal sector job was ten and a half years (McKeever 2007: 82). Other South African studies on informal employment activities confirm this (Blaauw 2010; Theodore et al. 2015; Viljoen 2014). Figure 2 shows the number of years that the 3 000+ South African day labourers in the Blaauw (2010) study were involved in the ongoing search for informal employment (Theodore et al. 2015).

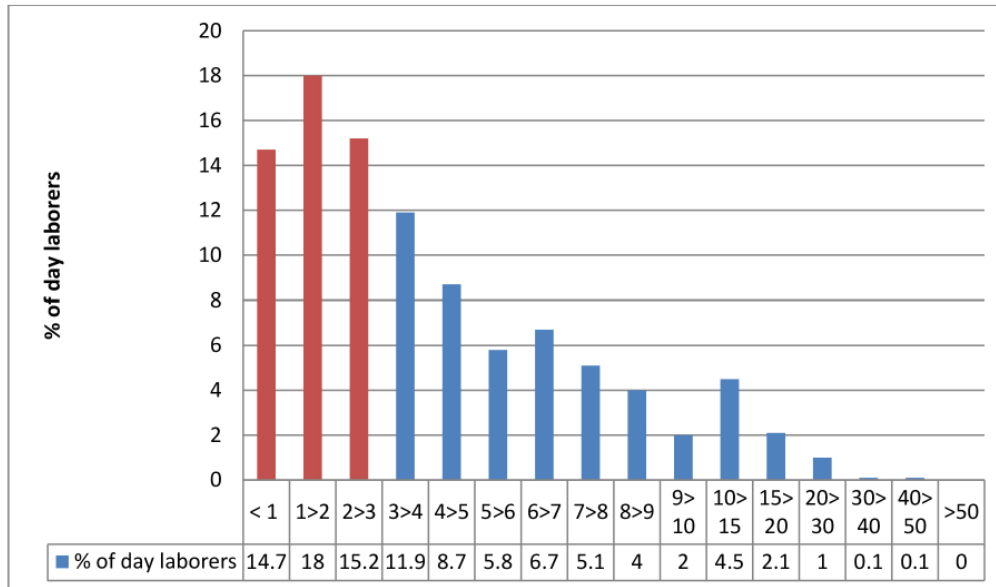


Figure 2: Number of years involved in the ongoing search for day labour work in South Africa 2007–2008

Source: Blaauw (2010); Theodore et al. (2015)

Day labourers in South Africa have been part of the informal economy for much longer than their American counterparts (Theodore et al. 2015). In fact, some of the day labourers in South Africa have performed this type of work their entire lives. A study by Viljoen (2014) among 914 street waste pickers in South Africa showed that the longest-working street waste picker had been in the occupation for 37 years. The long-term nature of the informal economy in South Africa casts doubt on its supposed (temporary) shock absorber function (Theodore et al. 2015). The analysis presented in paragraph 5.2 confirms this.

Employment history of participants in South Africa’s informal economy and the issue of duality

Authors such as Blaauw (2010) and Viljoen (2014) have attempted to explore more thoroughly the informal employment trajectories of day labourers and street waste pickers in lower tier activities in South Africa’s informal economy. Using an adjusted stock-flow model to illustrate the entry into the sector in the day labour market, Blaauw (2010) established that 50.2 per cent of the day labourers interviewed in his study had previously held a job in the formal sector. From a total of 893 street waste

pickers interviewed in the Viljoen (2014) study, 52.4 per cent had previously held a full-time job with benefits. In both studies, layoffs accounted for the overwhelming majority of exits from the formal sector. In contrast to the assertion by Theodore et al. (2015) that the day labour market performs a shock absorber function in the USA, South Africa's lower tier informal economic activities such as day labouring appear to act as a reservoir of underemployed workers. Data from the Blaauw (2010) study illustrate the relationship between macroeconomic conditions and the size of the day labour workforce in South Africa, as illustrated in Figure 3 (Theodore et al. 2015).

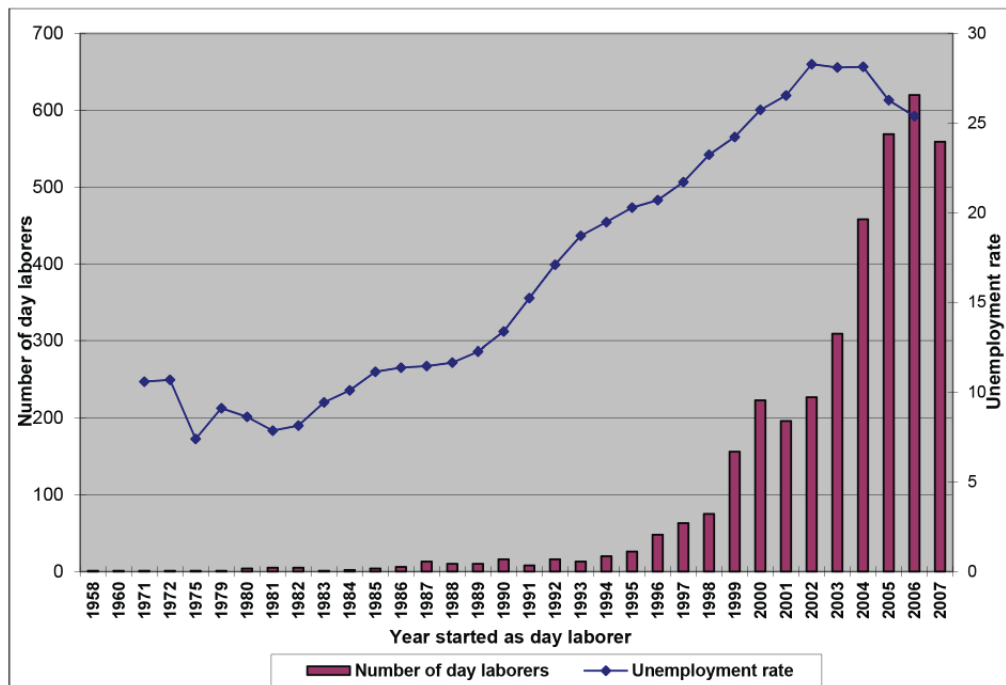


Figure 3: Year in which workers began day labouring plus unemployment trends in South Africa 1971–2007

Source: Blaauw (2010) Theodore et al. (2015)

When the year that day labourers in South Africa resorted to this activity is correlated with the unemployment rate of two years earlier, the correlation coefficient of 0.84 is statistically significant at the 0.05 level of confidence. This lagged correlation and the long-term nature of the informal economy support the contention that those in lower status jobs in the informal economy are unlikely to use the informal sector as a springboard to formal employment (Theodore et al. 2015).

The informal economy in South Africa therefore does not conform to the notion of being temporary – as originally proposed by those with a dualist perspective. The same applies to the supposed absence of entry barriers, which also does not hold for the informal economy in South Africa (Heintz & Posel 2008: 28). Barriers to entry and mobility, which are similar to the dualistic (i.e. formal and informal) nature of the labour market, are also observed in the informal economy (Heintz & Posel 2008: 41) and even within the same informal economic activity (Uys & Blaauw 2006). Evidence of an array of barriers² fundamentally influences the results given in labour market and development literature on unemployment and employment in the country (Burger & Fourie 2015). Entry and mobility barriers imply that the supply of labour is more than just a function of wages.

Other features of the South African informal economy

Literature on the informal economy is more or less in agreement about the following characteristics of the broader informal economy in South Africa:

- Participants in the informal economy generally have a much lower level of educational attainment than those in the formal economy. This inhibits their ability to transition into the formal economy and helps to explain why people typically remain in the informal economy for a long time (Heintz & Posel 2008).
- From a racial perspective, white people tend to view the informal economy as a temporary or fall-back option, while Africans are generally forced to remain in the informal economy for a much longer period (Saunders 2005: 130; McKeever 2007).
- The activities performed in the informal economy are not equally distributed across South Africa's provinces (Saunders 2005; Statistics South Africa 2015). This is highlighted in Figure 4, which covers the period 2008 to 2015.

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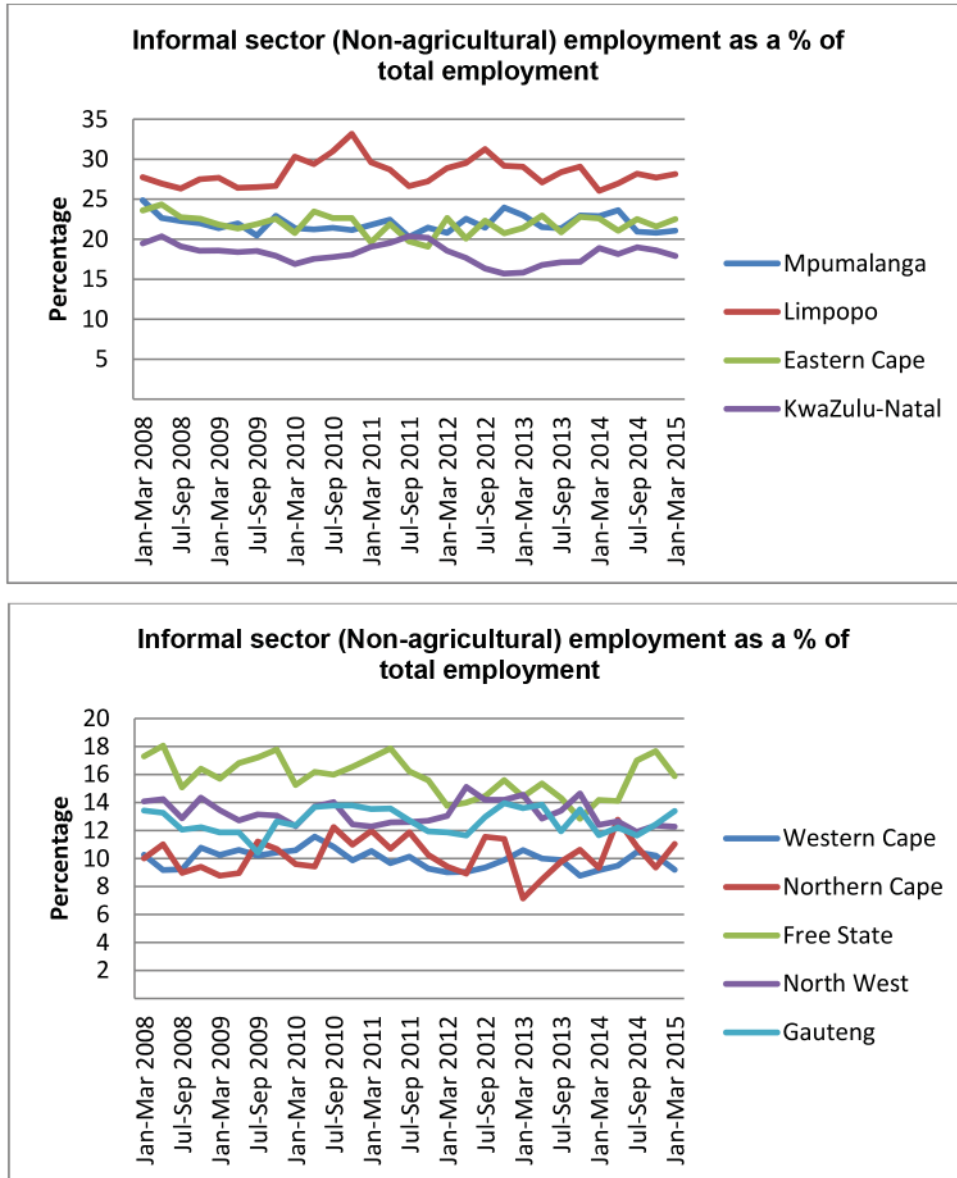


Figure 4: Relative contribution of informal sector employment to total employment in each province in South Africa 2008-2015

Source: Statistics South Africa (2015)

The provinces in which the informal economy is more prevalent are those whose local municipalities are regarded as “downward transitional” or “special problem areas” and whose unemployment levels are higher³.

Many of the activities associated with the informal economy generate insufficient income for the participant to support his/her family (Torres, Borat, Leibbrandt & Cassim 2000; Blaauw, Louw & Schenck 2006; Viljoen 2014). Earnings also tend to drop as participants move closer to subsistence-level activities (Heintz & Posel 2008: 36).

The impact of HIV/AIDS on the informal sector is a topic that has been under-researched and warrants urgent attention (Saunders 2005).

The characteristics of the informal economy can therefore be synthesised into the following hypothesis: The long-term nature of the informal economy, the lack of mobility to the formal economy, low levels of educational attainment, low and uncertain levels of income, and the racial bias of the informal economy in South Africa render it, for the most part, unsuitable as a viable and sustainable alternative to formal employment. Therefore, it is not wise to view the expansion of the informal economy as the best way of stimulating job creation (McKeever 2007: 85).

Perhaps this is the reason why the informal economy is largely ignored in South Africa’s National Development Plan (NDP). However, its long-term nature suggests it is here to stay. Consequently, it is imperative to explore the underlying dynamics thereof, paying close attention to how all the pieces of the puzzle (some still unknown at this stage) fit together and contribute to the broader economy. This is the focus of the rest of the article.

Analysing informal employment in South Africa: Some missing puzzle pieces

The role of migrants in the informal economy, issues of work experience, high levels of subjective well-being, as well as the spatial characteristics of informal employment in South Africa are key gaps in our understanding of informal employment in South Africa.

The expanding role of migrants – what happened to the Mozambicans?

Aggregate statistics and numbers mask the constant stocks and flows of migrants participating in some of the lower tier informal activities in South Africa. Day labouring is a pertinent example. Since 2004, three surveys among day labourers have been completed in Pretoria – the 2004 study by Blaauw et al. (2006), the 2007/08 study by Blaauw (2010) and the most recent study by Blaauw et al. (2015a)

in 2015. All three surveys covered the same geographical area and the same basic survey instrument was used. The results show that this informal activity is in a state of constant change and adjustment. Table 3 reveals important trends while also raising interesting questions.

Table 3: Country of origin of day labourers in Pretoria, 2004–2015

Country	2004 Number	%	2007/08 Number	%	2015 Number	%
South Africa	213	88	125	38	137	45.1
Zimbabwe	17	7	111	33	138	45.4
Namibia	0	0	0	0	0	0
Swaziland	0	0	1	0.3	0	0
Mozambique	7	2.7	73	22	4	1.3
Botswana	0	0	0	0	0	0
Lesotho	0	0	18	5	10	3.3
Other	0	0	3	0.9	7	2.3
Missing / refused to answer	5	2.3	4	1	8	2.6
Total	242	100	335	100	304	100

Source: Blaauw et al. (2006); Blaauw (2010); Blaauw et al. (2015a)

The percentage of foreign-born day labourers in Pretoria has increased significantly in 12 years. From approximately 12 per cent in 2004, the number grew to more than 50 per cent in 2015, peaking at 60 per cent in 2007. The continued influx of foreign migrants implies increased competition for limited informal job opportunities. The possibilities of conflict and downward pressure on wages are obvious.

One of the South African day labourers said: “... *these makwerekweres are spoiling the employers by charging R20 (\$2) per day when we charge R100.00 (\$10) ...*” (Schenck, Xipu & Blaauw 2012). Although Blaauw, Pretorius, Schoeman and Schenck (2012) showed that this was in fact not the case for South Africa as a whole in the 2007 survey, it could well be applicable to individual urban areas such as Pretoria. This piece of the puzzle is still missing and needs further research.

What is known, however, is that competition in the informal economy’s lower tier activities, such as day labouring and waste picking, is increasing with migrants continuing to pour into South Africa’s urban spaces. In the Viljoen (2014) study, respondents’ comments on the issue included:

Lots of competition.

There is huge competition in the work.

More and more people from Zimbabwe coming into the country doing our work.

Table 3 exposes another curious phenomenon – what has happened to the significant proportion of Mozambican day labourers seen in Pretoria in 2007 (22%)? The 2015 figure (1.3%) not only showed a dramatic decline, but it was half the percentage it was in 2004. Furthermore, what happened to the South African day labourers who are evidently no longer involved in this activity? Have they made the transition to other informal activities, such as waste picking, where there are fewer migrants involved, as Viljoen (2014) has speculated? It is essential to find answers to these questions if we are to see the complete picture of labour market dynamics.

What focused micro-studies – such as the day labour research exercise in Pretoria – also tell us, is that the stock of human capital in the form of work experience in the lower tier is relatively volatile. This is discussed in the paragraph that follows.

The evident volatility in work experience in lower tier informal employment activities

The three studies conducted among day labourers in Pretoria revealed a practically 360 degree turnaround in the percentage of day labourers who had a full-time job before becoming day labourers. See Figure 5.

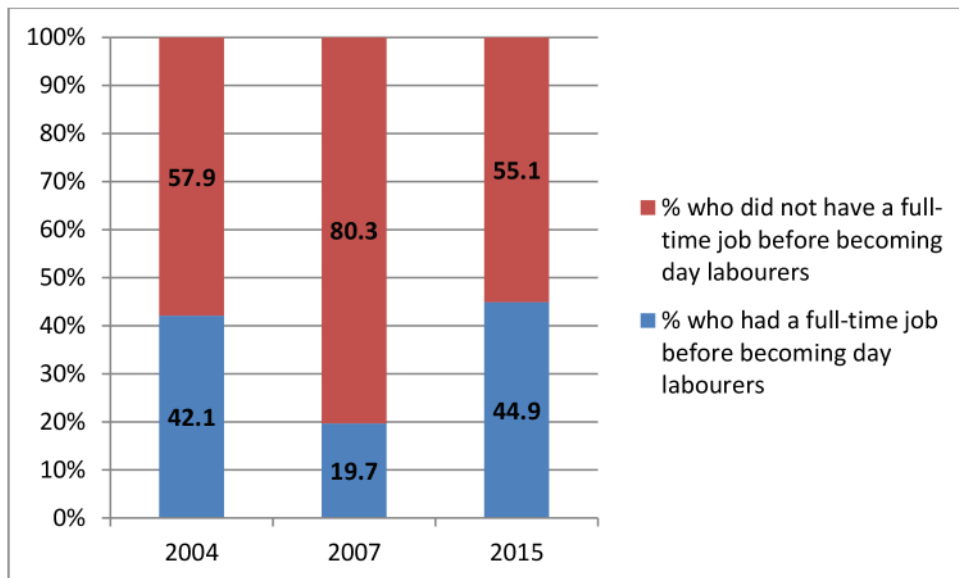


Figure 5: Previous full-time work experience among day labourers in Pretoria, 2004–2015

Source: Blaauw et al. (2006); Blaauw (2010); Blaauw et al. (2015a)

The marked decrease and subsequent recovery in the proportion of day labourers in Pretoria between 2004 and 2015 who had previous full-time work experience warrants a more focused investigation. One part of this puzzle was solved by Blaauw et al. (2017) who determined that almost one in every two Zimbabweans who arrived in South Africa prior to 2007 had previous full-time work experience. This confirmed that the evident exponential rise in the number of Zimbabwean day labourers gravitating to South Africa since 2003 was attributable to Zimbabwe's economic meltdown. Even teachers and nurses were part of this wave of migrants (Blaauw et al. 2017). Economic conditions at home could also have been behind the puzzling phenomenon of migrants from Mozambique appearing *en masse* on the day labour scene in Pretoria between 2004 and 2007, but then apparently disappearing by 2015. This issue is high on the research agenda of the team responsible for the 2015 study in Pretoria.

Surprisingly high levels of subjective well-being (SWB) evident among the informally employed in South Africa

Life in South Africa's informal economy can be harsh at the best of times. However, surprisingly, it was found that not all participants suffer from low levels of (self-reported) well-being (Blaauw et al. 2015b).

In a study conducted among waste pickers on the landfill sites of the Free State (Blaauw et al. 2015b), the mean score of seven on a 10-point scale indicated a surprisingly high level of subjective well-being (SWB) among those surveyed. Blaauw et al. (2015b) could not establish whether living with their family increased the SWB of waste pickers. However, they did establish that those who were not living with their families, but were able to visit them at least once a month, were significantly happier than those who were not able to make such visits. Another finding was that, unlike day labouring, belonging to a group is not valued by landfill waste pickers. In the words of one of the waste pickers: "*I want to work alone*" (Blaauw et al. 2015b). There are clear indications that a spirit of entrepreneurship and individuality permeates some sections of the informal economy in South Africa, and the "when", "who" and "why" associated with this must be explored and pieced together in future research.

Biswas-Diener and Diener (2001) similarly expected people living in abject poverty in the slums of Calcutta in India to be "miserable". However, the authors discovered that this was not necessarily true. Their findings suggest that the theory of adaptation was at play, which encouraged people to knuckle down and make the best of what they had. Social relationships and the satisfaction of basic needs turned out to be important predictors of self-reported happiness, and a similar scenario might also be playing out in some sections of South Africa's informal economy.

Blaauw, Botha, Schenck and Schoeman (2013) suggest that the role of social relationships in the well-being of day labourers and other vulnerable groups in the informal economy requires more focused qualitative research. Pertinent research questions that still need to be answered revolve around the possible influence of geographical location and the rural/urban divide on SWB in the informal economy. The recent xenophobic attacks on foreign workers in South Africa have raised the question as to whether the subjective well-being of South Africans in the informal economy differs significantly from that of foreigners, and, if so, what the reasons for this are.

The varying spatial characteristics of South Africa's informal economy constitute another piece of the puzzle that we have not yet grasped. This is discussed in the next paragraph.

Varying spatial characteristics of South Africa's informal employment

At a macro-level, the provincial distribution of South Africa's informal employment has remained fairly stable over the last decade (Statistics South Africa 2015). The same cannot be said of the many lower tier activities, of which day labouring is a pertinent example. Research has shown that hiring sites along roads and on street corners can be extremely fluid (Blaauw et al. 2006).

We do not yet fully comprehend all the possible factors influencing the locations of hiring sites. We do, however, know from earlier studies that the spatial distribution of day labourers is closely correlated with the population density of the country (Blaauw 2010). As expected, the densely populated metropolitan areas contain the vast majority of day labourers in absolute terms. In a specific metropolitan area, such as Cape Town or Pretoria, many of the informal hiring sites are located in residential areas where white people have traditionally constituted the majority of the residents. This is illustrated in Figure 6.

The socioeconomic dynamics at each hiring site are another missing piece of the puzzle. Most of the day labourers at a particular site communicate in one prominent language and organise themselves informally (Harmse et al. 2009). How this is done requires a deeper level of engagement than is possible in a standalone survey. What is evident is that the different nationalities at the various sites stick together, with clear-cut divisions between foreigners and local day labourers (Schenck et al. 2012).

Over and above the missing components in the research agenda discussed so far are the survival strategies of those informal economy workers who sometimes face a poverty gap of as much as 71 per cent (Blaauw et al. 2006). Participants in South Africa's informal economy, such as waste pickers, day labourers, car guards and part-time domestic workers, face the constant threat of earnings instability and insecurity.

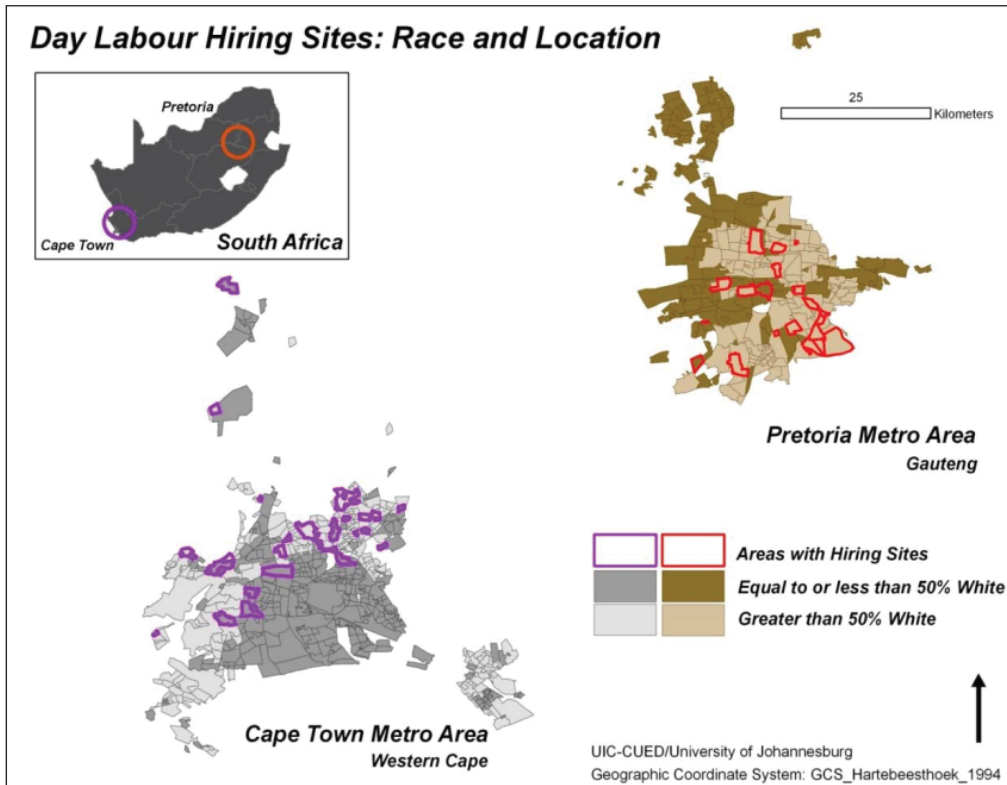


Figure 6: Distribution of day labourers in Cape Town and Pretoria, 2005/2006

Source: Blaauw (2010).

These people are in a daily struggle to hedge against the risks of unemployment (Theodore et al. 2015). Their plight was aptly summed up by a respondent in the Viljoen (2014) study: *“I have to work even when I am not fine.”*

Any unfavourable event, such as an injury or illness, a reduction in employer demand or even a period of inclement weather, will directly and immediately reduce their earnings (Theodore et al. 2015). However, these idiosyncratic shocks are a part of daily life. Shocks that impact negatively on earnings can also have a knock-on effect on their ability to supply labour, their education and occupational choices, and their ability to conduct job searches (Guiso, Jappelli & Pistaferri 2002). Even the minor costs, small barriers and little mistakes that most people do not even think about could have a negative multiplier effect on the lives of people unable to escape the shallow waters of the informal economy (Banerjee & Duflo 2011).

In the midst of this sobering reality, workers in the informal economy manage somehow to survive – albeit barely in some cases. How they do this deserves more thorough investigation. A common strategy, as revealed in the literature, is for informal economy participants to engage in more than one income-generating activity (Altman 2007: 12).

A multidisciplinary approach is the only feasible way of probing this phenomenon, using methodologies similar to that of Banerjee and Duflo (2011). Given all the gaps in our understanding of the informal economy, the current trajectory of research on this topic needs to be realigned, thereby helping to address the diminishing intellectual returns that are unfortunately in evidence (Strydom 2015).

Conclusion and the way forward: Towards addressing the diminishing intellectual returns from research on the informal economy

Strydom (2015) compared a recent PhD proposal with two previous studies that had been conducted on the informal economy in South Africa by Schneider and Enste (2000) and Saunders (2005), respectively. Strydom (2015) described the similarities (although 14 years apart) between the two studies and the proposal as intriguing, emphasising that informal economy-related research is potentially suffering from diminishing intellectual returns.

Strydom (2015: 1) explains that his: *“...understanding of this diminishing returns phenomenon is because of the rising interest in institutional economics. ... We have a new intellectual framework to analyse problems that were previously associated with the informal sector analysis. Today we tend to bring this under the heading of institutional failure. Instead of trying to analyse and estimate the size of the informal economy we apply the new tools in analysing institutional failure.”*

There has been a noticeable shift recently in the South African literature towards the study of institutional failure in the country, particularly in relation to the labour market (Strydom 2015). Three studies count as examples. The first is embodied in the work of Vermaak (2011). Blaauw (2010) and Viljoen (2014) have, in turn, studied day labouring and street waste picking, respectively, using a mixed-method approach.

The rich data generated by this type of interdisciplinary microeconomic analysis provide the necessary momentum for researchers to extend the scope of their research. Moreover, combining quantitative and qualitative techniques in a mixed-method approach should significantly enhance the understanding of the complex puzzle of vulnerabilities facing informal workers.

Research on unemployment mostly focuses on the formal sector only (Burger & Fourie 2015) – despite evidence from studies in the labour and development

economics spheres that there is substantial segmentation in the South African economy (Burger & Fourie 2015). Burger and Fourie (2015) provide an important alternative macroeconomic model that incorporates the informal economy and therefore a more nuanced analysis of the labour market in South Africa.

The complexities associated with studying the informal economy are also felt at a very personal level. The presence of the informal economy compels researchers to engage in deep self-reflection. What emotions emerge when researchers meet people making a living on the streets as day labourers or as informal recyclers on South Africa's landfill sites? How can the research be used to improve these people's existence?

The informal economy is here to stay for as long as the formal economy is unable to provide meaningful alternatives. Furthermore, things are unlikely to change any time soon. At least, by participating in the informal economy, the people concerned are taking responsibility for themselves and others. However, the vulnerabilities they face are real and must be studied. Identifying the gaps in our knowledge in this regard is critical to forming the nucleus of future research on informal employment in South Africa. This article identified issues such as the expanding role of local and foreign migrants; patterns in the level of human capital attainment; why subjective well-being is so high among informal workers; varying spatial characteristics; and the different survival strategies of informal workers as key elements in a future research agenda.

The challenge now lies in conducting the research and sharing the results in a constructive way. As Max-Neef (1991; 1992) and Sen (1999) suggested decades ago, the informal economy and its participants must be allowed to introduce changes that will allow them to grasp opportunities for self-improvement and, if necessary, retrieve their sense of dignity.

Endnotes

1. Saunders (2005: 184-185, 195) and McKeever (2007: 79) provide excellent summaries of three fairly differentiated trends from 1951 to 1991 related to the size of the informal economy in South Africa. These, however, fall outside the scope of this paper.
2. These include skills mismatches, geographical-spatial factors such as high transport costs, a lack of work experience, an inappropriate work ethic, a lack of information on the job environment and job opportunities, and limited or no access to labour market networks (Burger & Fourie 2015: 8).
3. See Harmse, Blaauw and Schenck (2009) for a detailed comparison and analysis in this regard.
4. Totals for percentages may not add up to exactly 100% due to rounding.

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