

Employment, Income Distribution and Inclusive Growth Project

Research Proposal

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Title: Informal self-employment in the township context: A case study of four Cape Town localities

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Background:

A recent survey of literature on South African unemployment 'discourse landscape' draws attention to the many gaps in our knowledge of the economic mechanisms through which the informal self-employed (along with the unemployed) survive and the mobility barriers that hinder transitions (unemployed to informal self-employed, self-employed to formally employed) (Fourie, 2012). Fourie poses the question of how to view and model the informal sector; he writes: 'is it a problem sector – i.e. aberration – or rather a promising sector and basis for people to be economically productive and generate income?' (2012:50). The difficulties scholars have in addressing this question with policy confidence stems, in part, from the methodological separateness of the main research traditions through which scholars have approached the topic. The three discourse clusters that Fourie characterises (labour market, poverty and development, and macro/macro-sectoral) reflects conceptual differences, which (unintentionally) has resulted in minimal engagement between researchers in these different fields of enquiry. A second methodological barrier that inhibits research on the informal sector activities lies in the limitations of the data with which we can work. Most researchers confront a paucity of firm-level data on informal micro-enterprises, whilst household survey data (though valuable) does not adequately capture the scope and scale of informal economic activities that evidently exist (as evident in an analysis of StatusSA LFS data, Wills, 2009).

A number of researchers, whose work falls within the poverty and development discourse cluster, have through their collective efforts begun to narrow this gap through firm level research. Their research has generally focused on sector dynamics, for example, providing insight into street traders (Skinner, 2008; Rogerson, 1998), spaza shops (Ligthelm, 2004, 2005, 2012), and traditional medicine (Mander, 2007) to provide three examples. A second stream within this cluster has explored the relational dynamics of informal businesses, focusing on the roles of networks and social obligations (including reciprocity and rule enforcement) in securing market access and thus influencing mobility barriers (Neves, D and Du Toit, 2012). The case studies which characterise this avenue of exploration are again sectorally presented and, whilst adding depth to enterprise survey studies, this approach is

unable to improve our understanding of the bigger context of informality in which the micro-enterprise operates competitively and benefits from multipliers and formal sector linkages.

The proposed research paper seeks to contribute substantially towards narrowing this knowledge gap through a case study analysis of the scope and scale of informal micro-enterprises. The research utilises data from a recent (2011) census of informal activities in four township localities in the Cape metro region.

Research Question:

What forms of self-employment (and micro-enterprises) and informal employment occur within the township economy? In answering this core question, the research will examine the influence of the township as a particular settlement typology on micro-enterprise establishment and growth.

Subsidiary questions:

How do factors of spatially and linkage influence the scope and scale of micro-enterprise activities, first in terms of the internal distribution of enterprises, second in terms of the influence of formal businesses, including aspects of accessibility and market penetration, and third, in terms of the influence of transport infrastructure. In addressing this question, the analysis will consider the influence of inter-linkages and multipliers on enterprise diversity and frequency.

Methodology:

The research will utilise data collected as part of Sustainable Livelihood Foundation's FIME project. The field research was undertaken in four localities (Delft South, Browns Farm, Sweet Home Farm and Vrygrond). The research proceeded using a spatial census methodology which entailed recording all informal activities, interviewing all enterprise owners in five sectors, the collection of artefacts and images, and informal in-depth discussions. The methodology is described in Petersen (forthcoming). The data set comprises over 4000 micro-enterprises (1000 firms were surveyed); the sites themselves encompass a population of 356000 households (estimated population 181,360). The data permits a mapping of the spatial distribution of micro-enterprises and allows the researchers to interpret the spatial relationships between informal micro-enterprises and impact of settlement infrastructure, household wealth variables, impacts of crime, population densities and influences such as land use planning. Aspects of the data have been presented in Charman 2012a and 2012b and Petersen, 2012.

Outcome:

The main outcomes are a written paper and seminar presentation. The aim is to submit the paper for journal publication.

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