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Informal Economy Employment  
Data In South Africa:  
A Critical Analysis

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# **Informal Economy Employment Data In South Africa: A Critical Analysis<sup>1</sup>**

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P A P E R S

Unemployment and AIDS:  
The Social-Democratic Challenge  
for South Africa

Nicolli Nattrass



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## Introduction

There has in recent years been a debate in South Africa about the extent of employment and unemployment. Much of this debate is related to the impact of government policy – whether the effects of government policy have resulted in higher levels of employment or not. Three issues relevant to this paper have characterised this debate. First, interest groups have selectively manipulated some of the data to support their own policy objectives. Second, it is apparent that questions may be asked about whether or not the labour market data in South Africa are a reliable estimate of actual developments in employment and unemployment. Third, employment in the informal economy of South Africa is a key aspect of this lack of reliable data. This paper is concerned primarily with addressing the reliability or otherwise of data on informal employment in South Africa.

This paper is divided into two distinct sections. We begin by outlining basic labour market data in South Africa and examine the controversies of informal economy employment data. We show that estimates of the level of informal economy employment in South Africa are highly variable. We then discuss the difficulties of defining informal work and outline how the estimates of informal employment in South Africa are derived by Statistics South Africa (SSA). Having outlined the estimates of informal employment, we then explore why these estimates are highly variable and investigate certain inconsistencies in the data. We conclude the first section of the paper by arguing that, after having examined the controversies associated with the extent of informal economy employment, we are unsure of the precise level and extent of informal employment in South Africa. As such, any policy

discussions on employment, and more specifically on informal employment, should be conducted with extreme caution.

The second section of the paper explores whether the distinction that is drawn between formal and informal employment is a realistic one in the South African setting. This leads us to a discussion of whether the enterprise based definition of informal work currently employed in South Africa is an appropriate criterion for classifying workers. We show that significant proportions of workers classified as informal display characteristics of formal work, and an increasing number of formal workers jobs are characterised by conditions that are typical of informal work. Thus, we argue that a definition based on work characteristics, rather than an enterprise based definition, may be a more appropriate method for classifying workers.

## The Nature of the Problem

Table 1 shows employment data for the national economy over the period 1997-2001 using the various October Household Surveys (OHS) and the more recent Labour Force Surveys (LFS).

**Table 1: Formal and informal economy labour market trends, 1997- 2001**

	OHS 1997	OHS 1998	OHS 1999	LFS Feb 2000	LFS Sep 2000	LFS Feb 2001	LFS Sep 2001
Formal	6,405,953	6,527,120	6,812,647	6,677,923	6,841,877	6,678,219	6,872,924
Commercial agriculture	495,530	726,249	804,034	756,984	666,940	698,879	665,941
Subsistence agriculture	163,422	202,290	286,856	1,508,264	964,837	653,428	358,983
Informal	965,669	1,077,017	1,573,986	1,820,350	1,933,675	2,665,227	1,873,136
Domestic work	992,341	749,303	798,524	1,001,108	999,438	914,478	915,831
Unspecified	70,986	107,966	92,905	115,106	305,797	227,013	146,000
Total employed	9,093,901	9,389,946	10,368,951	11,879,734	11,712,565	11,837,244	10,832,816
Unemployed	2,450,738	3,162,662	3,157,605	4,333,104	4,082,248	4,240,034	4,525,309
Not eco active	13,960,772	13,156,940	12,752,967	10,241,611	11,100,135	11,043,527	12,006,413
Total not employed	16,411,510	16,319,602	15,910,572	14,574,715	15,182,383	15,283,561	16,531,722
Total Pop, age 15-65	25,505,411	25,709,548	26,279,523	26,454,449	26,894,948	27,120,805	27,364,538

The data are represented graphically in figures below.

In Figure 1 below the data shows that although total employment has fluctuated significantly, employment in the formal non-agriculture segment of economy has remained relatively stable over the period. We notice marked change in two sectors of the economy – subsistence agriculture and the informal economy.

**Figure 1: Total employment in South Africa, 1997-2001**

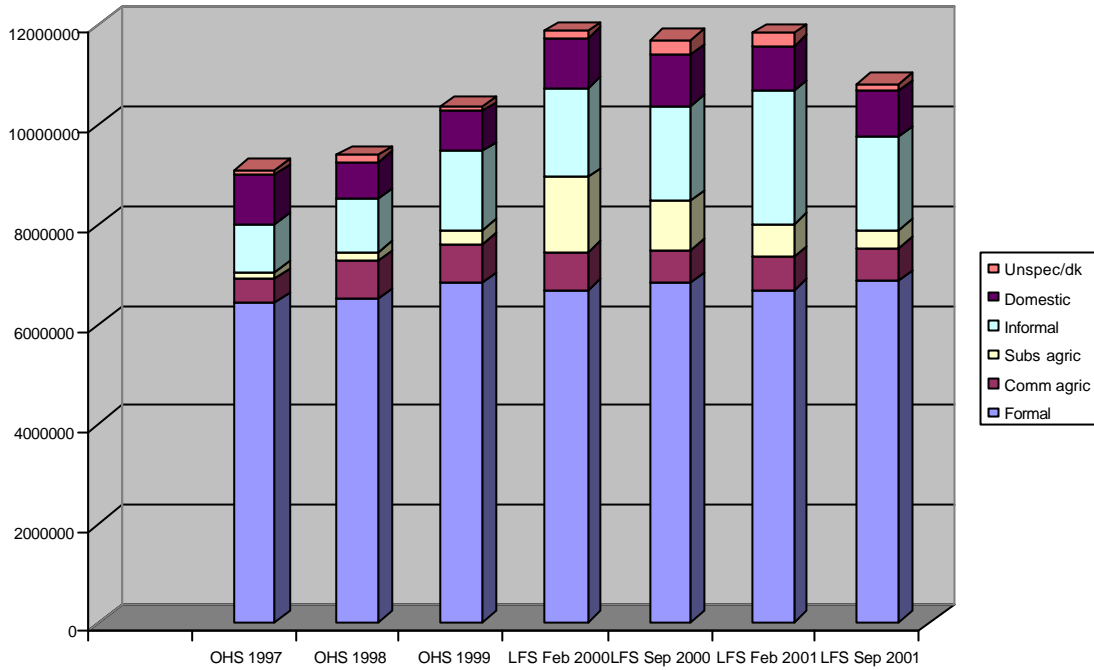
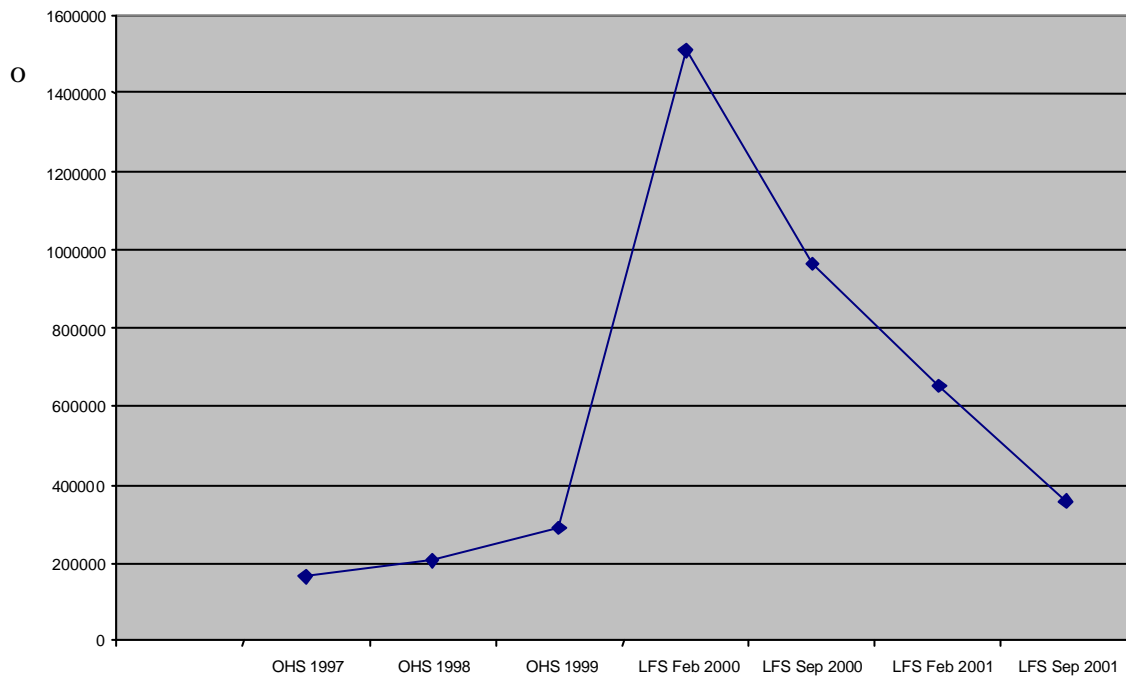


Figure 2 below shows highly volatile employment data for subsistence agriculture.

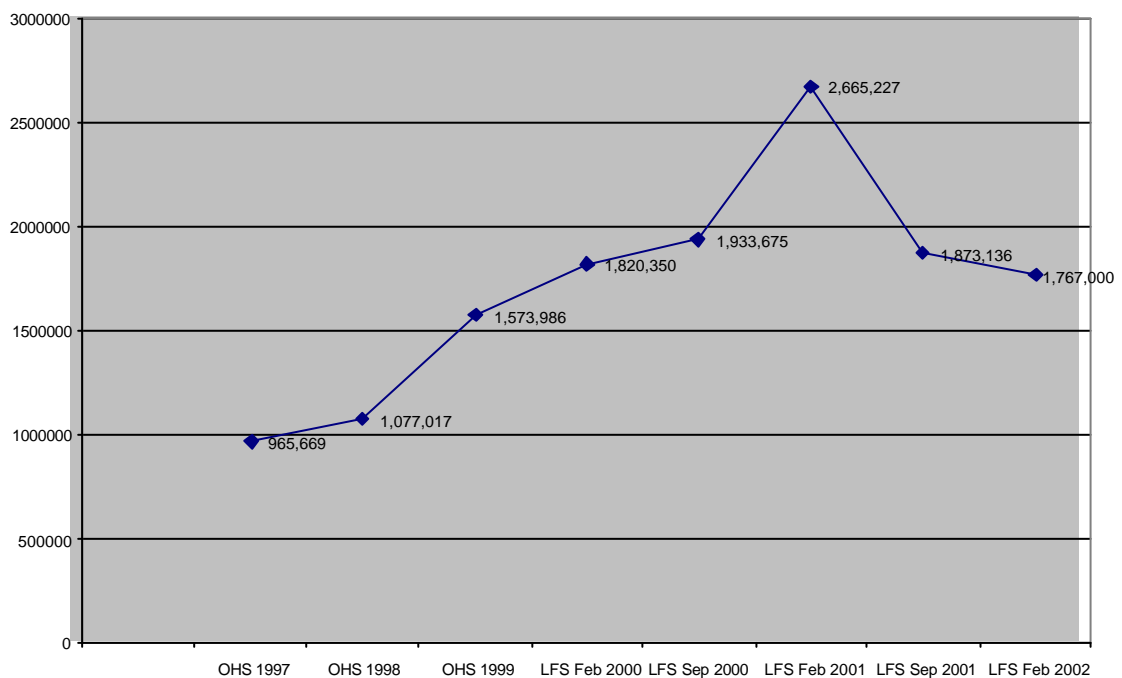
**Figure 2: Employment in subsistence agriculture, 1997-2001**



Although this is clearly an important issue in respect of the reliability of overall employment data in South, we do not explore these data further. The international norm is that subsistence agriculture is excluded from definitions of informal work. The dynamics in subsistence agriculture are complex and would require a paper of its own.

Figure 3 shows the employment trend for the informal economy. With respect to informal employment the data show a tremendous growth in employment with the number of workers employed in the informal economy more than doubling over the period 1997 to February 2001, and then declining rapidly by almost 1 million workers over the period February 2001 to February 2002. Is this pattern of employment over a period of 5 years in the informal economy really possible?

**Figure 3: Informal employment in South Africa, 1997-2002**





## **‘Informal Sector’ – Debates about Definitions**

Before exploring the reliability of the informal economy employment data in South Africa it is important to clarify what the informal economy, or the informal sector, is composed of. Despite Peattie’s (1987) critique of the term ‘informal sector’ as an ‘utterly fuzzy’ concept and her suggestion that those interested in policy and analysis of this phenomenon should start by abandoning the concept, the concept continues to be used. Since Keith Hart (1973) first coined the phrase ‘informal sector’ in the early 1970’s to describe the range of subsistence activities of the urban poor, there has been considerable debate about what exactly the term refers to. The most quoted definition is that contained in the International Labour Organisations Kenya Report (1972:6) in which informal activities are defined as ‘a way of doing things’, characterised by:

- a) ease of entry
- b) reliance of indigenous resources
- c) family ownership of enterprises
- d) small scale of operation
- e) labour intensive and adapted technology
- f) skill acquired outside of the formal school system
- g) unregulated and competitive markets.

Over the years the definition has evolved, as has the character of the phenomenon it aims to describe. Increasingly informal activities are the result of formal firms ‘informalising’. Further, there are supply relations from the formal to the informal. These trends deem some of the characteristics identified in the ILO definition nonsensical. Lund and Srinivas (2000:9) point out “we do not think of formal sector

procurers of fruit and vegetables from agribusiness who supply to informal traders as ‘trading in indigenous resources’ ”. A machinist doing piecework in the clothing industry is as likely to have acquired her skills in the formal education system as outside of it. More recent attempts to reflect these changes fall into the trap of only defining these activities negatively i.e. terms of what they are not, as well as being vague. Swaminathan (1991:1, emphasis added) for example, argues that what informal activities have in common ‘is a mode of organisation *different from the unit of production that is most familiar in economic theory, the firm or corporation*. These activities are also *likely to be* unregulated by the state and excluded from standard economic accounts of national incomes.’

Castells and Portes (1989:12) describe the informal economy as a ‘common sense’ notion that cannot be captured by a strict definition. Although the main writing on the definition of the informal sector differ markedly as to what criteria they use to define the ‘informal sector’ and as to the relative weighting of different criteria, a criteria common to all definitions is that these are economic activities which are small scale and elude certain government requirements or, as Castells and Portes (1989:12) state, are ‘unregulated by the institutions of society, in a legal and social environment in which similar activities are regulated.’ Examples of such requirements are registration, tax and social security obligations and health and safety rules.

For our purposes, two important points are worth noting. First the term informal sector disguises a significant degree of heterogeneity. Informal activities encompass different types of economic activity (trading, collecting, providing a service and manufacturing), different employment relations (the self employed, paid and unpaid

workers and disguised wage workers) and activities with different economic potential (survivalist activities and successful small enterprises).

A second and related problem is the distinction between the formal and informal 'sectors' as if there was a clear line dividing the two. Close analysis of this phenomenon demonstrates that they are integrally linked. With the exception of illegal activities there are few examples of informal operators who are not linked (either through supply or customer networks) into the formal economy. As Peattie (1987:858) points out, 'if we think about the world in terms of a formal and informal sector we will be glossing over the linkages which are critical for a working policy and which constitute the most difficult elements politically in policy development.'

Using the term informal 'economy' rather than informal 'sector' partially addresses such concerns. The term economy implies a greater range of activities than sector. If both formal and informal activities are seen as part of the economy we are better able to see the linkages between the two.

Implied in the notion 'in' formal is that there is a formal, a norm, against which these other activities can be compared. As with any norm this will be time and context specific. With respect to labour market Eapen (2001:2390) points out how previously authors (e.g. Papola, 1980; Banerjee 1985) defined informality in terms of the absence of characteristics that belong to 'formal' activities like security/regularity of work, better earnings, existence of non wage and long term benefits, protective legislation and union protection. She goes on to point out that in a situation in which a number of activities within the formal sector are getting 'informalised' and private, small scale

processing / manufacturing enterprises are growing ‘the borderline becomes blurred’. Considering this issue from another angle, Bromley (1995:146) asks ‘if an enterprise is required to have six official permits, for example, but only has five, should it be considered informal even when the sixth derives from a moribund regulation that most entrepreneurs ignore?’ She goes on to conclude ‘formality and informality are really the opposite poles of a continuum with many intermediate and mixed cases’ (Bromley, 1995:146).

For statistical purposes, the accepted international standard for defining the informal economy was agreed in a resolution at the 15<sup>th</sup> International Conference for Labour Statistics (ICLS). An important criterion of the ICLS definition is that employment in the informal economy is based on the characteristics of the enterprise in which the person is employed instead of the characteristics of the worker employed. The ICLS definition recommends that informal sector enterprises be defined in terms of one or more of the following criteria:

- non registration of the enterprise in terms of national legislation such as taxation or other commercial legislation.
- non-registration of employees of the enterprise in terms of labour legislation.
- small size of the enterprise in terms of the numbers of people employed.

(See Appendix 1 for further details of this definition.)

In the reported statistics on informal employment in South Africa, SSA adopts the following approach to deriving the ‘informal worker’ employment category. Two categories of formal worker and three categories of informal worker are derived. Formal workers are either formal or commercial agricultural. The justification for

treating the two as separate categories is that agriculture represents primary production. Informal workers are informal, subsistence agriculture and domestic workers. The reasoning for treating subsistence agriculture as a separate group is as above for commercial agriculture. Domestic workers represent a large, unique group within the informal economy.

Derivation of these categories is now described. For the September 2001 LFS the process begins by classifying all people 15 years or older as employed, unemployed or not economically active. This is achieved from a sequence of questions including “Worked past 7 days”, “Job although absent”, “Work category”, “Reason absent from work”, “Acceptance of job”, “Time to start work” and “Work seeking action” (SSA, 2001d). The calculations for deriving these three categories can be found in the LFS metadata file (SSA, 2001c). Once the three categories have been formulated all employed 15 years of age or older are classified into work categories.

A second variable categorising persons 15 years or older as formal, informal, domestic or other (includes cases responding ‘unspecified’ and ‘don’t know’) is derived from questions ‘What is person’s occupation’ and sector (formal or informal) of business or enterprise where the person works (Figure 4). If the individual selects formal or informal for sector then the individual is classified as formal or informal with the exception of domestic workers. For the latter, if occupation is recorded as domestic then the individual is labelled a domestic worker. All other individuals who are recorded as employed (based on their responses to the questions listed earlier) but are not formal, informal and domestic are classified as ‘other’.

**Figure 4: Sector questions with instructions to fieldworkers (September 2001 LFS questionnaire, SSA 2001: 24).**

**Is the organisation/ business/ enterprise/ branch where ..... works**

1 = In the formal sector  
2 = In the informal sector (including domestic work)  
3 = DON'T KNOW

**Formal sector employment is where the employer**  
*(institution, business or private individual) is registered to perform the activity. Informal sector employment is where the employer is not registered.*

The third step in the derivation of the work types is to combine the responses for employment status and sector. Thus a 'pure' formal worker is employed (employment status) and formal (sector). If industry is agriculture such a worker is classified as commercial agriculture. A 'pure' informal worker is employed (employment status) and informal (sector). If industry is agriculture such a worker is classified as subsistence agriculture. Domestic workers are employed (employment status) and occupation is listed as 'domestic'.

## **Explaining the Variability in Informal Economy Employment Data**

The definitions used to classify informal work in South Africa will be explored later in this paper. We now move on to addressing some of the specificities of the various Labour Force Surveys to investigate whether there have been any deficiencies in the data collection process which may explain the volatility in the reported data.

Our discussion below focuses on the LFS. We should, however, note that the data presented in Table 1 and more particularly the informal economy employment data over the period 1997-99 is based on the October Household Survey. The data from the OHS and the LFS are not directly comparable since they are designed as separate instruments. This explains some of the volatility in the data. However, from February

2000 onwards the same instrument, the LFS, is used. The problems with the data appear to be most acute since the introduction of the LFS.

A second and important consideration is that statistical data on the informal economy in general and specifically on employment in the informal economy is a relatively recent development in South Africa. Since informal economy employment data was first collected in 1995, SSA has significantly improved the questions used to capture the nature and extent of informal employment. Further, with respect to registering informal activities, not only is the LFS an improvement on the OHS but that there has been improved prompting and training of fieldworkers and increased awareness of coders (Budlender et al, 2001:8). Thus, part of the volatility in the data, in particular the increase in informal employment, is a reflection of improved data collection.

Size of the sample, sampling frame and sampling method are important determinants of validity and reliability of a survey. The number of households surveyed by the OHS and LFS has changed over time, primarily for financial reasons. Table 2 below lists the number of households surveyed by year.

**Table 2: Number of households and enumerator areas surveyed for OHS and LFSs**

Survey	Number of households	Number of enumerator areas or primary sampling units
OHS 1995	30,000	3,000
OHS 1996	16,000	1,600
OHS 1997	30,000	3,000
OHS 1998	20,000	2,000
OHS 1999	30,000	3,000
LFS Feb 2000	10,000	1,574
LFS Sep 2000	30,000	3,000
LFS Feb 2001	30,000	3,000
LFS Sep 2001	30,000	3,000

(Source: SSA statistical releases)

The sampling method from 1995 onwards was based on a two-stage probability sample utilising stratified and cluster techniques. Stratification was by province, magisterial district, urban and rural location, and population group. Surveys were designed to cover various types of enumerator area, including formal or informal urban areas, commercial farms, traditional authority areas or other non-urban areas (SSA, 1999).

Stratification may have varied by year for example in 1997 households were stratified by province, Transitional Metropolitan Councils (TMC) and District Councils (DC). At the individual level weighting was by province, gender, age groups and population group. In the September 2000 LFS there was explicit stratification of the Primary Sampling Units (PSUs) by province and area type (urban/rural). Within each explicit stratum, the PSUs were implicitly stratified by District Council, Magisterial District and, within the magisterial district, by average household income (for formal urban areas and hostels) or enumerator area (EA). The allocated number of EAs was systematically selected with “probability proportional to size” in each stratum” (SSA, 2001a).

The sampling frame excluded some groups. Interviews were not conducted in prisons, hospitals, boarding houses, hotels, guest houses, schools and churches (SSA, 2001a).

A list of problems experienced by other researchers with the various OHS and LFS datasets is provided in Table 3. The problems could be conceptual (for example, ineffective definition of the informal economy) or technical (for example, data contains inconsistencies).



**Table 3: Selected conceptual and technical problems with OHS and LFS datasets**

<b>Survey</b>	<b>Problem(s)</b>
OHS 1995	Cannot measure informal economy accurately <sup>a</sup>
OHS 1996	Cannot measure informal economy accurately <sup>a</sup> Birth data not published Some inconsistencies between ASCII data and information in the metadata file
OHS 1997	Data not published for some health and crime variables At least one of the data releases contains errors (data left justified in ASCII file) Mining sector, hostels excluded <sup>b</sup>
OHS 1998	No obvious problems
OHS 1999	Birth and children data files released but data is not valid or reliable.
LFS 2000 Feb	About 1,000 cases have household data but no information for roster or worker files i.e. lack of consistency across files A limited selection of background variables was included in this pilot survey <sup>c</sup> Subsistence agriculture appears to be over-represented
LFS 2000 Sep	Subsistence agriculture appears to be over-represented <sup>c</sup>
LFS 2001 Feb	Informal sector workers appear to be over-represented <sup>c</sup>
LFS 2001 Sep	Some inconsistency across files (probably not significant) Workers under-represented – about 1 million lower than expected

<sup>a</sup> Budlender & Hirshowitz (2000)

<sup>b</sup> SSA (2000a)

<sup>c</sup> SSA (various statistical releases)

There appears to be a host of inconsistencies in the reported data which indicate problems with sampling. More specifically the February 2001 LFS, which reports the highest levels of informal employment, appears to be inconsistent with other LFSs. Figure 5 below shows informal economy employment by gender. The LFS February 2001 (note that this survey reported the peak level of informal employment of 2 665 227) appears to reverse the trend of male: female employment in the informal economy, reporting an inordinately high level of female informal employment.

Figure 5: Informal employment by gender

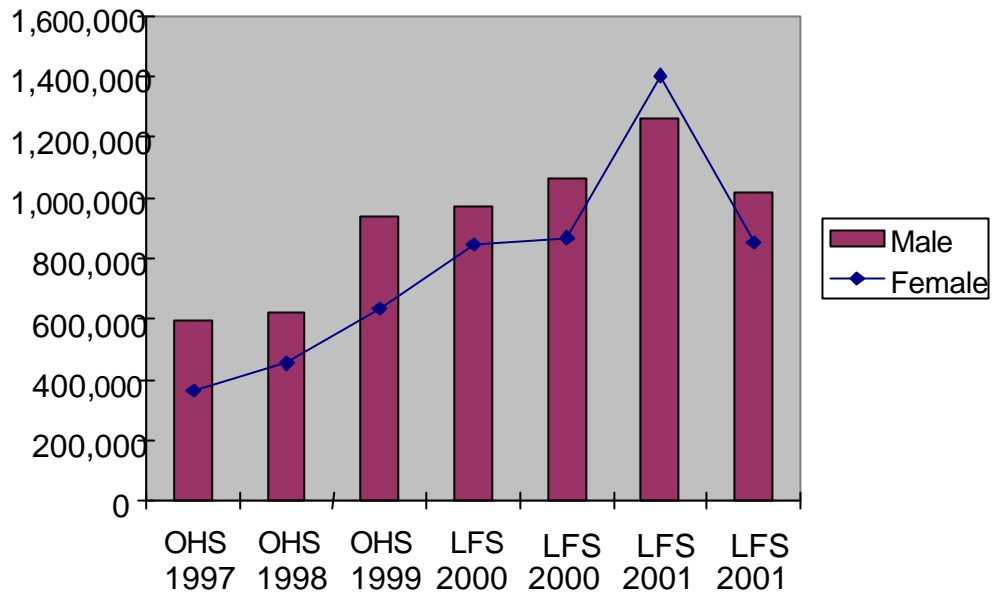


Figure 6 below shows informal employment by province. Informal employment in KwaZulu-Natal province for the February 2001 LFS appears to be inordinately high.

Figure 6: Informal employment by province

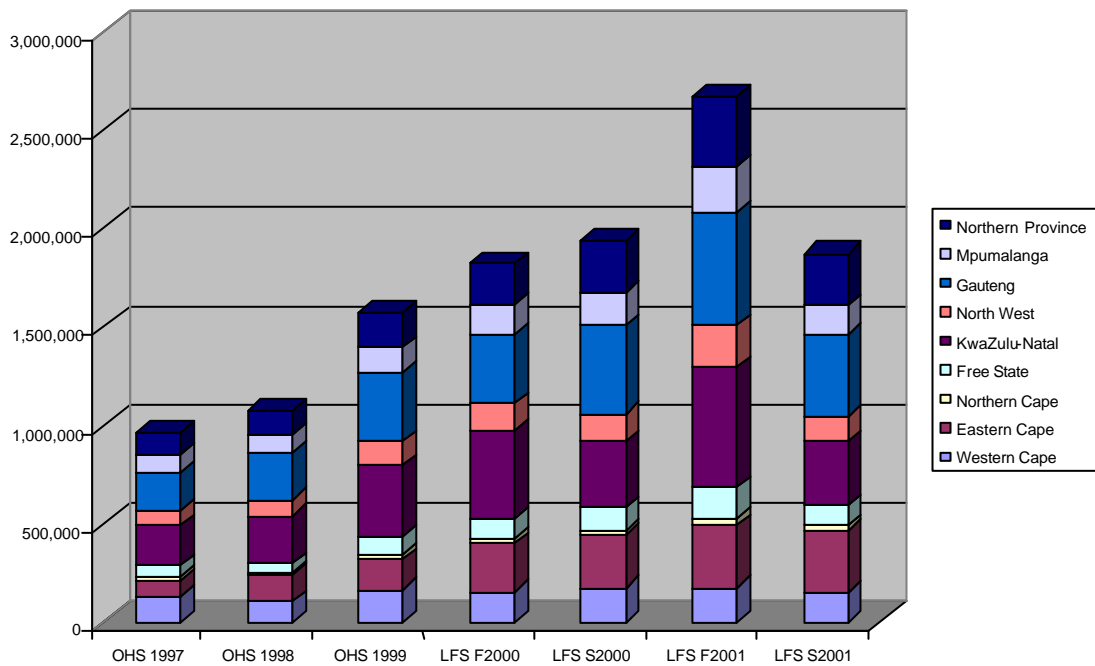
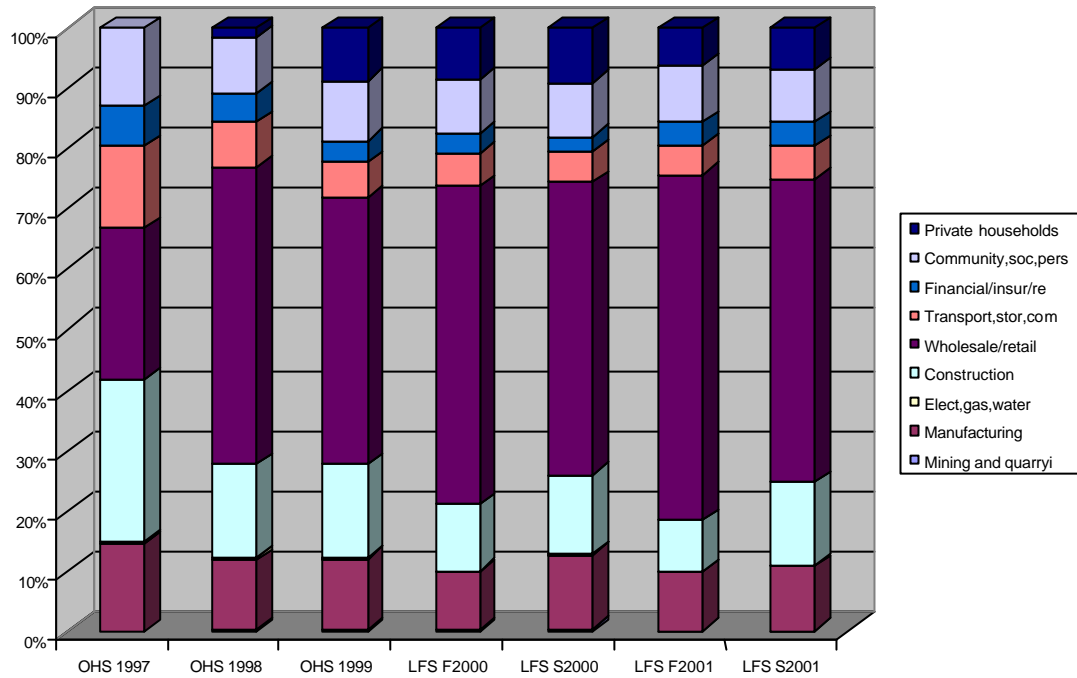


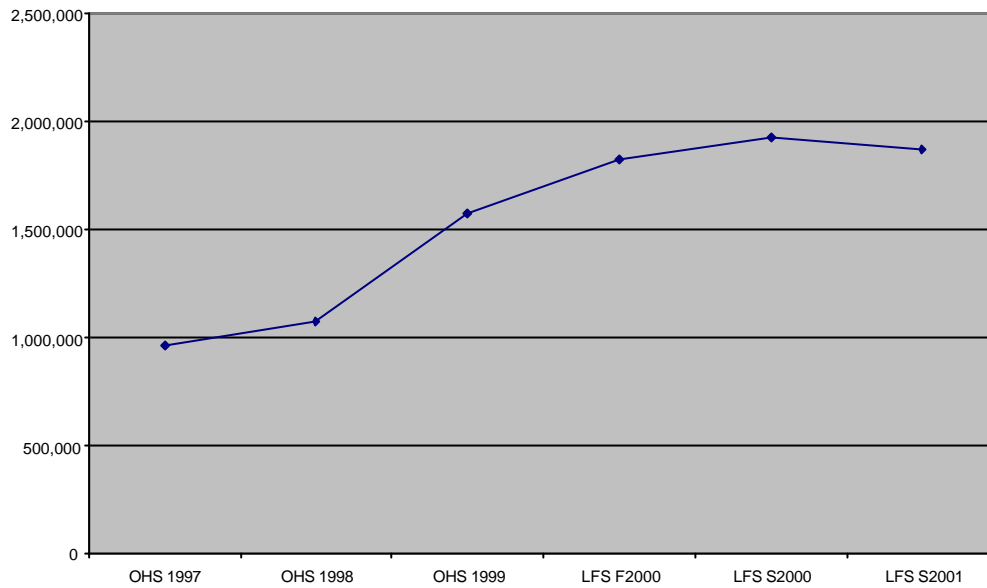
Figure 7 below shows informal employment by industry. Again, the February 2001 LFS stands out for having an inordinately high level of informal employment in the wholesale and retail industry.

**Figure 7: Informal employment by industry**



The trends in the LFS data and in particular the February 2001 trends suggest that the peak in informal employment data reported in February 2001 may be incorrect because too many female workers in the retail and wholesale trade in KwaZulu-Natal were sampled. Removing the February 2001 figure for total informal employment would result in a more plausible trend in informal economy employment, as shown in Figure 8 below, with the growth in informal employment over the period a reflection both of actual growth and improved data collection.

**Figure 8: Informal employment in South Africa, excluding Feb 2001**



We explored the data for the wholesale and retail trade further in order to explore the numbers of informal workers in the retail trade in February 2001. Table 4 below shows the total number of workers in the wholesale and retail trade for the February and September 2000 LFS and the February 2001 LFS. The total number of retail workers not in stores (and presumably on the streets and therefore classified as informal) seems inordinately high. The same trend is evident for elementary workers shown in Table 5 below. We note an extremely high level of street and food vendors for February 2001.

**Table 4: Employment in wholesale and retail trade**

Wholesale/retail	LFS F2000	LFS S2000	LFS F2001	LFS S2001
Building completion			517	
Wholesale & commission trade	692			
Wholesale trade on a fee or contract basis	1,720	9,026	5,987	2,930
Wholesale trade in agricultural raw materials,	51,278	51,002	50,096	60,471
Wholesale trade in household goods	33,961	26,681	13,249	17,214
Wholesale trade in non-agricultural intermediate	34,843	29,586	50,205	33,880
Wholesale trade in machinery, equipment and supplies	25,381	8,224	14,578	8,535
Other wholesale trade	6,175	8,368	9,282	5,249
Retail trade, except of motor vehicles and motor cycles;	1,802	347	1,209	1,292
Non-specialised retail trade in stores	271,225	271,927	276,605	259,298
Retail trade in food, beverages and tobacco in	146,899	126,258	104,870	97,311
Other retail trade in new goods in specialised stores	405,014	349,726	345,538	435,594
Retail trade in second-hand goods in stores	781	2,394	3,112	635
<b>Retail trade not in stores</b>	<b>696,987</b>	<b>734,620</b>	<b>1,196,814</b>	<b>718,465</b>
Repair of personal and house-hold goods	67,366	72,301	65,468	66,540
Sale, maintenance and repair of motor vehicles and		380		
Sale of motor vehicles	24,735	35,681	25,280	35,014
Maintenance and repair of motor vehicles	182,179	203,720	196,624	189,623
Sale of motor vehicle parts and accessories	41,253	40,584	48,021	42,868
Sale, maintenance and repair of motor cycles and	2,945	2,419	451	4,834
Retail sale of automotive fuel	50,998	66,508	67,444	74,089
Hotels and restaurants	1,950	246		
Hotels, camping sites and other provision of short stay	77,442	80,149	77,387	73,853
Restaurants, bars and canteens	204,788	186,509	173,916	167,609
Shebeen	104,014	118,040	189,357	101,985
Other		1,896		
<b>Total</b>	<b>2,434,428</b>	<b>2,426,593</b>	<b>2,916,010</b>	<b>2,397,289</b>

**Table 5: Employment in elementary occupations**

	LFS F2000	LFS S2000	LFS F2001	LFS S2001
<b>Street food vendors</b>	<b>399,769</b>	<b>352,971</b>	<b>672,702</b>	<b>385,185</b>
<b>Street vendors, non-food products</b>	<b>91,736</b>	<b>139,216</b>	<b>211,143</b>	<b>129,949</b>
Door-to-door and telephone salespersons	3,138	5,924	8,354	4,541
Other			1,138	632
Shoe cleaning and other street service elementary occupation	1,961	4,418	799	6,176
Domestic helpers and cleaners	2,087	11,743	2,438	852
Helpers and cleaners in offices, hotels and other establishm	338,474	353,593	317,754	297,892
Hand-laundrers and pressers	10,409	18,127	11,711	11,071
Building caretakers	16,008	9,042	10,713	13,086
Vehicle, window and related cleaners	7,676	10,402	11,622	9,037
Messengers, package and luggage porters and deliverers	53,845	61,845	56,731	64,124
Doorkeepers, watchpersons and related workers	9,641	9,811	14,724	14,212
Vending-machine money collectors, meter readers and related		835	1,496	8,960
Garbage collectors	18,614	21,519	19,079	20,066
Sweepers and related labourers	25,880	31,599	38,020	31,849
Collectors water	1,395	650	907	133
Collectors water and wood		10,263	14,466	7,533
Sales and services elementary occupations not elsewhere clas	637	1,039	246	
Farm-hands and labourers	548,902	634,462	541,687	540,887
Forestry labourers	35,995	29,748	38,762	48,243
Fishery, hunting and trapping labourers		2,798	1,301	
Agricultural, fishery and related labourers not elsewhere cl		1,248		
Mining and quarrying labourers	21,675	30,078	23,887	38,499
Construction and maintenance labourers: roads, dams and simi	55,921	92,866	84,137	78,954
Building construction labourers	72,493	88,072	79,532	49,206
Assembling labourers		4,074	801	2,923
Hand packers and other manufacturing labourers	318,680	305,812	300,870	296,801
Hand or pedal vehicle drivers				241
Drivers of animal-drawn vehicles and machinery	2,478	1,841	764	515

These data show conclusively that the February 2001 LFS is an outlier in terms of informal economy employment. As shown in Figure 8, without this data the overall pattern of informal employment is more plausible. However, although the February 2001 LFS is clearly an outlier, we are unsure if this LFS rather than all of the other estimates is closest to the true level of informal employment in South Africa. In other words, it may be the case that the February 2001 LFS is actually the ‘correct’

estimate, with all of the other estimates significantly under-representing the true level of informal employment in South Africa.

There are good reasons to believe that the February 2001 LFS represents the true level of informal employment in South Africa. SSA (2002:v) notes that in February 2001 LFS more probing questions were asked about self-employment and small businesses in a follow on survey, which may have lead to a larger number of respondents than usual classifying themselves as employed in the informal economy. Hence, the February 2001 LFS may well be the most accurate estimate of informal employment.

A remaining puzzle that needs some explanation is the significant drop in informal employment in the September 2001 LFS. In other words, if the February 2001 estimate of informal employment is the most accurate estimate, why do we observe a fall from 2.6 million to 1.8 million in September 2001. We would expect that September 2001 estimate to be relatively close to the February 2001 estimate.

According to Stats SA, in September 2001 a new sample was drawn due to interviewee fatigue, and once again respondents may have classified themselves as not economically active rather than employed in the informal sector. Thus, because a new sample was drawn and the issues of self-employment and small business were not explored in a follow up survey as was the case for February 2001, September 2001 may again be a significant underestimation of the true level of informal employment in South Africa. Furthermore, a new field team was used for the September 2001 LFS which may well have resulted in issues of informal employment not being sufficiently canvassed.

The problems above raise the issue of validity and reliability of these surveys and the estimates of informal employment in South Africa. It is evident that there are substantial problems with the estimates of informal employment in South Africa and that these data should be treated with caution. In particular, any policy discussions regarding the effectiveness or otherwise of government's employment creation strategies that rely on these estimates of informal employment, which much of the recent policy debate does, should really be based on more reliable data.

## **Characteristics of the Informal Workforce**

This section of the paper assesses whether the divide between formal and informal employment is an appropriate demarcation of employment characteristics in the South African economy. Formal employment is considered to be secure, protected by labour legislation, better paid and subject to 'normal' benefits such as annual leave and pension provision. In terms of the ICLS recommendation, formal employment is deemed to be in registered enterprises. Informal employment, on the other hand, is deemed to be in unregistered enterprises and does not enjoy the benefits and security associated with formal employment. This section of the paper addresses whether or not this distinction between formal and informal employment can be precisely defined, and whether SSA's method of defining formal and informal employment is appropriate.

Notwithstanding the data problems outlined above we are able to understand important developments in the informal economy through analysis of the data. We begin by profiling various types of informal workers for demographic indicators and indicators measuring working conditions, to assess whether informal workers do in



fact display all of the characteristics of informal work. We then investigate employment characteristics in formal employment and assess the degree to which formal employment, as defined in South Africa, displays characteristics of informal work. Given the problems associated with comparability of the LFS over time the information presented below is static and is derived from the September 2001 LFS.

Gender, age, race and spatial indicators for various groups of informal workers are presented in Table 6. The table shows distributions for male, female, urban and rural informal workers. Two additional categories of informal worker are included who have links with formal sector workers. The first refers to a worker who lives in a household with a formal worker (FW), termed formal-present in the text. The second refers to a worker who has been reported to have a characteristic generally identified as formal, in this case the worker has been classified as informal but was also recorded as working for a registered company or was VAT-registered. Such workers are termed formal-like in the text. Such workers occurred in relatively small proportions but provide an interesting link with the formal economy.

Women informal workers were over-represented in rural areas (Table 6). Also, a higher proportion of formal-present informal workers were women. No significant differences between groups were observed for age.

In terms of race, black informal workers showed a rural bias while formal-present and formal-like workers were more likely to be white. Male informal workers showed higher proportions than females in urban areas (61.4% and 50.6%, respectively).

Three quarters of formal-present workers were located in urban areas.

**Table 6: Demographic and spatial indicators for informal workers**

	Male	Female	Urban	Rural	FW	FC	Total
N	1,020,020	853,116	1,058,093	815,043	365,131	160,820	1,873,136
<b>Gender</b>	1,020,020	853,116	1,058,093	815,043	365,131	160,820	1,873,136
Male	100.0		59.2	48.3	47.6	67.8	54.5
Female		100.0	40.8	51.7	52.4	32.2	45.5
<b>Age</b>	1,020,020	853,116	1,058,093	815,043	365,131	160,820	1,873,136
15-19 yrs	2.9	2.7	2.0	3.9	3.2	1.5	2.8
20-29 yrs	26.4	20.6	23.7	24.0	24.3	21.6	23.8
30-39 yrs	29.9	32.9	31.9	30.3	27.4	33.8	31.2
40-49 yrs	23.3	27.3	24.8	25.5	23.6	24.0	25.1
50-59 yrs	13.3	13.0	13.5	12.7	16.5	15.0	13.1
60-69 yrs	4.2	3.5	4.1	3.7	5.0	4.1	3.9
<b>Race</b>	1,018,253	853,018	1,056,228	815,043	363,364	160,820	1,871,271
African/black	82.4	86.8	74.4	97.5	64.6	60.5	84.4
Coloured	7.6	5.8	11.2	1.1	14.3	10.0	6.8
Indian/Asian	2.3	1.9	3.6	0.3	5.3	4.4	2.1
White	7.6	5.5	10.9	1.1	15.8	25.1	6.6
<b>Urban/rural</b>	1,020,020	853,116	1,058,093	815,043	365,131	160,820	1,873,136
Urban	61.4	50.6	100.0		75.5	75.5	56.5
Non-urban (Rural)	38.6	49.4		100.0	24.5	24.5	43.5
<b>Province</b>	1,020,020	853,116	1,058,093	815,043	365,131	160,820	1,873,136
Western Cape	9.2	6.9	13.8	0.7	17.4	9.3	8.1
Eastern Cape	14.5	19.6	10.6	24.9	10.1	10.0	16.8
Northern Cape	1.4	0.9	1.8	0.4	1.2	1.9	1.2
Free State	6.2	4.6	7.8	2.5	5.8	1.4	5.5
KwaZulu-Natal	15.9	18.9	16.0	18.8	16.5	18.1	17.2
North West	7.8	5.9	4.3	10.3	5.3	4.9	6.9
Gauteng	25.3	18.2	37.8	1.7	26.9	40.1	22.0
Mpumalanga	7.1	9.3	4.8	12.4	9.1	7.9	8.1
Northern Province	12.6	15.8	3.2	28.2	7.5	6.5	14.1

Key: FW (Formal worker in household with informal worker), FC (Informal worker has formal characteristic e.g. registered cc or VAT)

Some notable spatial effects were observed for provinces. Higher than average proportions of urban and formal-present workers occurred in the Western Cape (Table 6). Extremely low numbers of informal workers occur in rural areas of the Western Cape. In contrast proportions of rural informal workers are higher than average in Eastern Cape and Northern Province. Significantly high proportions of urban and formal-like informal workers occur in Gauteng. The bias of rural workers in Eastern

Cape and Northern Province and urban workers in Western Cape and Gauteng reflects the wealth of these provinces.

While male and female informal workers showed a similar distribution for education level, rural workers showed significantly poorer levels of education (Table 7).

Formal-present workers occurred in higher than average proportions in the matric and post-matric categories.

Male informal workers showed a better income distribution than women, for example, 27.2% of women were measured in the R1-200 category compared with 12.2% of men. Thus, although women have similar education levels to men, they earn less. A similar effect was noted for urban and rural informal workers, with urban informal workers having the better income profile. Formal-like workers showed relatively high proportions in the richer income categories.

**Table 7: Socio-economic indicators by types of informal worker**

	Male	Female	Urban	Rural	FW	FC	Total
<b>Education</b>	1,005,110	848,452	1,043,586	809,975	360,427	159,349	1,853,561
No education	8.8	11.5	5.9	15.4	3.7	6.7	10.1
Primary	35.6	31.5	27.3	42.0	21.6	20.0	33.7
Secondary (excl. G12)	36.4	36.5	41.0	30.6	40.0	32.3	36.5
Matric	14.1	14.3	17.8	9.6	22.2	27.5	14.2
Post-matric	5.1	6.1	7.9	2.5	12.5	13.5	5.5
<i>Average years of education</i>	8.69	8.74	9.79	7.35	10.69	10.74	8.72
<b>Income group</b>	966,177	816,203	990,851	791,529	330,962	153,933	1,782,380
None	3.8	7.5	3.3	8.2	4.5	1.0	5.5
R1-200	12.2	27.2	13.6	25.9	13.4	3.7	19.1
R201-500	24.6	28.3	22.0	31.7	21.7	11.5	26.3
R501-1 000	23.9	19.3	22.5	20.9	19.8	22.4	21.8
R1 001-1 500	11.3	6.3	11.9	5.3	12.9	16.6	9.0
R1 501-2 500	11.7	5.1	11.9	4.6	11.4	12.1	8.7
R2 501-4 500	7.7	4.1	9.1	2.3	9.6	16.0	6.1
R4 501-11 000	4.1	1.8	4.6	1.1	5.0	12.7	3.1
R11 001-30 000+	0.7	0.3	0.9	0.0	1.7	4.0	0.5
<i>Average income category (range 1-14)</i>	4.29	3.38	4.41	3.20	4.49	5.80	3.87

A significantly high proportion of formal-like workers were classified as employees indicating these workers may have been incorrectly classified as informal (Table 8). Significantly higher proportions of male informal workers were employees.

**Table 8: Form of work, occupation and industry of informal workers**

	Male	Female	Urban	Rural	FW	FC	Total
<b>Main work</b>	1,020,020	852,413	1,057,389	815,043	365,131	160,116	1,872,432
Working for someone else for pay	33.0	16.7	27.1	23.7	23.0	63.2	25.6
Work for one or more hhs as domestic, gardener, security guard	10.9	1.8	7.3	6.1	3.0	1.9	6.8
Work on own or small hh farm/plot or collect natural products	1.0	1.5	0.4	2.4	0.4		1.3
Working on own or with partner in any type of business	52.4	73.5	61.9	62.0	68.8	33.2	62.0
Helping without pay in hh business	2.7	6.5	3.3	5.8	4.8	1.8	4.4
<b>Occupation</b>	1,018,366	852,029	1,056,408	813,988	365,131	160,116	1,870,396
Elementary occupation	21.3	43.9	29.9	33.7	26.2	17.0	31.6
Craft & related trades	35.2	14.0	23.4	28.4	22.5	19.3	25.6
Service, shop & market workers	12.9	29.0	20.2	20.3	24.5	20.7	20.2
Technical & associated professionals	4.4	5.4	5.5	4.1	6.2	7.4	4.9
Clerks	1.1	2.5	2.1	1.4	3.3	6.4	1.8
Plant & machine operators & assemblers	7.5	1.3	5.0	4.3	5.8	11.9	4.7
Legislators, senior officials & managers	4.9	1.6	4.6	1.8	6.5	10.5	3.4
Professionals	0.9	1.2	1.9		2.0	3.6	1.1
Skilled agricultural & fishery workers	11.8	0.9	7.6	5.9	3.0	3.1	6.9
<b>Industry</b>	1,018,109	851,939	1,056,535	813,513	365,131	160,116	1,870,048
Wholesale & retail trade	36.4	66.4	47.3	53.8	48.5	29.3	50.1
Community, social & personal services	6.7	11.2	10.9	6.0	12.8	14.3	8.7
Manufacturing	8.0	13.8	10.4	10.9	11.5	11.8	10.6
Private households with employed persons <sup>b</sup>	11.1	1.6	7.5	6.0	3.1	2.1	6.8
Finance and business services	5.0	3.0	6.3	1.3	5.7	13.4	4.1
Construction	22.9	3.0	11.4	16.9	11.1	12.7	13.8
Transport, storage and communication	9.4	0.9	6.1	4.9	7.3	14.5	5.5
Mining	0.2	0.0	0.1	0.2		1.4	0.1
Other	0.1	0.0	0.1	0.1	0.0	0.5	0.1

Notes: <sup>a</sup> Ordered from high to low frequency for all workers.

<sup>b</sup> Category includes extraterritorial organisations and representatives of foreign governments

Disparities were noted for occupation, in particular for gender and formal-present workers (Table 8). Males, relative to females, dominated craft and related trades (35.2% to 14.0%) and skilled agriculture and fishery worker (11.8% to 0.9%) categories. Females, relative to males, dominated elementary occupations (43.9% to 21.3%) and service, shop and market (29.0% to 12.9%) categories. Formal-present workers occurred in lower proportions than average in elementary occupations and craft and related trades and in relatively high proportions in skilled occupations such

as plant and machine operators and assemblers and legislators, senior officials and managers.

Industry is also divided along gender lines, with males predominating in, for example, construction and transport industries. A high proportion of women occurred in wholesale and retail trade (although significant numbers of men work in the latter industry as well).

**Table 9: Specific occupations of informal workers, by gender**

Male	n	%	Female	N	%
Gardeners, horticultural and nursery growers	119,486	11.7	Street food vendors	270,294	31.7
Street food vendors	96,586	9.5	Street vendors, non-food products	70,450	8.3
Bricklayers and stonemasons	69,802	6.8	Tavern and shebeen operators	58,767	6.9
Motor vehicle mechanics and fitters	52,124	5.1	Spaza shop operator	57,097	6.7
Taxi driver, minibus taxi driver	50,677	5.0	Tailors, dressmakers and hatters	45,073	5.3
Street vendors, non-food products	47,983	4.7	Shop salespersons and demonstrators	42,561	5.0
Spaza shop operator	45,431	4.5	Personal care of children and babies	20,567	2.4
Painters and related workers	25,443	2.5	Stall and market salespersons	18,313	2.1
General managers in transport, storage and communication	22,215	2.2	Sewers, embroiderers and related workers	18,282	2.1
Tavern and shebeen operators	22,083	2.2	Hairdressers, barbers, beauticians and related workers	16,855	2.0
Carpenters and joiners	21,261	2.1	Traditional medicine practitioners	13,236	1.6
Shop salespersons and demonstrators	21,078	2.1	Helpers and cleaners in offices, hotels and other establishments	12,339	1.4
Building and related electricians	21,023	2.1	Cooks	11,517	1.4
Building frame and related workers not elsewhere classified	18,834	1.8	Handicraft workers in wood and related materials	7,740	0.9
Building construction labourers	18,374	1.8	Gardeners, horticultural and nursery growers	7,277	0.9
Traditional medicine practitioners	16,649	1.6	Cashiers and ticket clerks	7,224	0.8
Builders, traditional materials	15,809	1.5	Building frame and related workers not elsewhere classified	6,927	0.8
Welders and flamecutters	15,688	1.5	General managers in wholesale and retail trade	6,664	0.8
Blacksmiths, hammer-smiths and forging-press workers	14,346	1.4	Pre-primary education teaching associate professionals	6,612	0.8
Hairdressers, barbers, beauticians and related workers	13,660	1.3	Sewing-machine operators	6,374	0.7
Handicraft workers in wood and related materials	13,142	1.3	Waiters, waitresses and bartenders	6,271	0.7
General managers of business services	11,202	1.1	Plasterers	6,142	0.7
Car, taxi and van drivers	11,040	1.1	Millers, bakers, pastry-cooks and confectionery makers	5,420	0.6
Protective services workers not elsewhere classified	10,794	1.1	Hand packers and other manufacturing labourers	5,000	0.6
Shoe-makers and related workers	10,574	1.0	Library and filing clerks	4,942	0.6
<i>Cumulative percentage</i>		77.0	<i>Cumulative percentage</i>		85.2

A breakdown of specific occupations by gender is provided in Table 9. The table has three points of interest. Firstly, the wide range of activities – street vending, gardening, bricklaying, painting, sewing, driving, caring, operating a shop or spaza, hairdressing, welding, managing, and practising traditional medicine are some activities - underlines the heterogeneous nature of the informal economy. Secondly, there is substantial variation in skill levels required for the different activities listed. For example, carpenters, electricians, traditional herbalists and general managers are likely to require a higher level of skill and knowledge than the street vendor, gardener, driver, waiter and cashier. Thirdly, Table 9 shows significant differences in occupation by gender. It is interesting that while some categories occur in high frequencies and proportions for both men and women – for example, street vending of food and non-food products – there is a significant gender disparity by specific occupation. For example, while large numbers of men participate in activities such as gardening, bricklaying, driving taxis and motor vehicle repairs, women show high frequencies in dressmaking and care of children and babies.

Table 10 measures indicators of the employee. The percentage of informal workers with formal characteristics recorded as employees is significantly higher than average.

For the conditions listed, formal-like workers are least likely to have commenced employment in the past year and are most likely to have access to permanent work, a written contract, paid leave, trade union membership and an employer that contributes to a pension fund. Interestingly, although the absolute number of women that are employees was significantly lower than males, those women that were employees showed better statistics for permanent work, a written contract, paid leave and an employer contributing to a pension scheme.

Rural workers showed the worst statistics for the range of indicators, these workers are most likely to have temporary jobs, have no written contract, only 8.6% have paid leave, 4.7% are members of a union and a mere 5.3% have an employer contributing to a pension fund.



**Table 10: Working conditions of the informal employee**

	Male	Female	Urban	Rural	FW	FC	Total
<b>Number of employers</b>	434,914	155,286	355,338	234,862	92,771	103,207	590,201
One employer	85.4	94.5	87.2	88.6	93.5	91.6	87.8
More than one employer	14.6	5.5	12.8	11.4	6.5	8.4	12.2
<b>Year commenced working</b>	439,425	156,730	356,853	239,301	94,318	102,877	596,154
-1979	4.0	4.8	4.5	3.8	4.3	5.4	4.2
1980-1989	7.7	9.8	9.7	6.2	8.3	11.7	8.3
1990-1994	9.0	6.3	8.5	8.0	10.1	13.1	8.3
1995-1999	30.8	29.9	31.2	29.6	33.4	33.8	30.6
2000	15.6	16.5	16.5	14.9	14.8	13.1	15.8
2001	32.9	32.7	29.6	37.6	29.1	22.8	32.8
<b>Work</b>	434,017	151,432	353,232	232,218	93,530	102,979	585,449
Permanent	39.9	55.7	46.8	39.8	49.2	72.0	44.0
Fixed period contract	4.4	2.7	3.9	4.0	4.9	3.3	4.0
Temporary	30.9	28.0	24.8	38.3	23.8	15.7	30.1
Casual	23.4	12.9	23.5	16.5	22.0	9.0	20.7
Seasonal	1.4	0.7	1.0	1.5			1.2
<b>Written contract</b>	439,281	156,730	357,225	238,785	93,249	103,099	596,010
Yes	13.1	19.8	18.7	9.1	21.2	36.9	14.9
No	83.9	77.3	78.5	87.5	76.5	59.0	82.1
Don't know	3.0	2.9	2.8	3.3	2.3	4.1	3.0
<b>Supervision of work</b>	437,619	156,240	356,597	237,262	94,116	104,169	593,859
Work supervised	68.6	76.4	67.4	75.6	68.9	72.1	70.7
Work independent	31.4	23.6	32.6	24.4	31.1	27.9	29.3
<i>Employer contribution to pension or retirement fund</i>	425,085	152,367	348,763	228,689	90,881	100,185	577,452
Yes	8.5	20.7	16.0	5.3	12.8	36.7	11.8
No	91.5	79.3	84.0	94.7	87.2	63.3	88.2
<b>Paid leave</b>	430,181	151,153	347,995	233,339	89,400	102,140	581,335
Yes	13.1	26.0	21.7	8.6	19.2	42.8	16.4
No	86.9	74.0	78.3	91.4	80.8	57.2	83.6
<b>Trade union membership</b>	425,758	150,394	346,957	229,195	90,977	99,734	576,152
Yes	7.0	12.4	10.8	4.8	9.5	25.9	8.4
No	93.0	87.6	89.2	95.2	90.5	74.1	91.6

Formal-like workers showed working conditions markedly different to other types of informal worker (Table 11). Their characteristics were indeed more equivalent to formal employment, including: a fair proportion working for larger organisations, 14.5% worked for a company that paid towards medical aid, experienced lower levels of flexibility, and higher percentages than average worked in factories, offices or service outlets.

**Table 11: Working conditions by type of informal worker**

	Male	Female	Urban	Rural	FW	FC	Total
<i>Medical aid or health insurance</i>	1,010,079	847,732	1,047,139	810,672	362,702	157,673	1,857,811
Yes, self only	1.4	0.8	1.7	0.4	1.7	8.1	1.1
Yes, self & dependants	2.0	2.3	3.2	0.8	3.4	6.4	2.2
No medical aid benefit	96.5	96.9	95.1	98.8	95.0	85.5	96.7
<b>UIF deductions</b>	999,459	844,072	1,038,976	804,555	361,435	153,753	1,843,531
Yes	5.1	3.8	6.7	1.6	4.7	35.6	4.5
No, income above UIF	5.2	6.4	7.1	4.0	7.8	8.4	5.7
No, other reason	89.8	89.8	86.2	94.4	87.4	56.0	89.8
<i>Hours worked past seven days (incl. overtime)</i>	1,013,883	843,452	1,047,527	809,808	361,577	160,116	1,857,335
Mean	46.7	44.1	45.6	45.3	45.4	49.9	45.5
<i>Hours worked in an average week (incl. overtime)</i>	1,012,869	844,361	1,047,904	809,326	360,756	160,116	1,857,230
Mean	47.9	45.1	47.1	46.0	46.4	52.2	46.6
<b>Flexible working hours</b>	1,012,370	850,527	1,052,067	810,830	363,086	158,981	1,862,897
Can decide fully	60.0	77.2	64.7	71.9	70.5	36.4	67.8
Limited range	7.2	7.1	8.2	5.9	8.6	9.8	7.2
Fixed by employer	32.8	15.7	27.1	22.2	20.9	53.8	25.0
<b>Longer hours</b>	999,647	843,814	1,043,596	799,865	358,679	158,521	1,843,461
Yes	27.2	25.3	25.9	26.9	21.8	16.3	26.3
<b>Number of regular workers</b>	1,009,213	847,398	1,048,434	808,176	364,032	156,428	1,856,611
1	44.7	66.8	52.0	58.5	57.6	23.4	54.8
2-4	37.1	23.6	31.3	30.4	27.6	20.6	30.9
5-9	8.5	3.6	7.3	5.0	6.4	15.7	6.3
10-19	3.5	2.1	3.3	2.2	3.3	9.1	2.8
20-49	3.5	1.6	3.1	2.1	2.8	14.9	2.7
50+	2.7	2.3	2.9	1.9	2.3	16.2	2.5
<b>Location</b>	1,020,020	852,781	1,057,758	815,043	365,131	160,820	1,872,801
Owners home/farm	40.2	62.0	48.9	51.7	58.2	27.1	50.1
Someone else home	12.8	4.4	9.4	8.3	5.8	6.0	8.9
Factory/office	4.9	3.7	5.8	2.5	5.1	22.3	4.4
Service outlet	5.9	9.3	7.2	7.7	7.8	19.4	7.4
At a market	0.4	1.3	0.7	1.0	1.3	0.6	0.8
Footpath, street	6.4	6.3	6.9	5.7	4.1	5.8	6.4
No fixed location	28.6	12.8	20.5	22.6	17.4	17.2	21.4
Other	0.8	0.3	0.6	0.6	0.2	1.7	0.6

A significantly higher proportion of female informal workers are more likely to have flexible employment conditions, work alone and work at the owner's home or farm

compared with their male counterparts (Table 11). Conditions of work are generally poor for all informal workers and urban and rural workers showed few significant differences, although urban workers showed better percentages for medical aid and UIF benefits.

### **Informal characteristics in the formal economy and other sectors**

A set of questions relating to relationship with employer and conditions of work is asked of the worker defined as an employee. It is important to note from the outset that a relatively low proportion of informal workers were classified as employees (Table 12). A clear majority of all employees (95.6%) had only one employer. Informal workers (12.2%) and domestic workers (7.4%) were most likely to report having more than one employer. Gardeners, as informal workers, would be included here.

Generally, informal employees reported commencing work, or they changed jobs, more recently than their formal counterparts (Table 12). The highest percentage of employees commenced employment in the period 1995 to 1999 (i.e. three to seven years ago). Informal, domestic and subsistence agriculture employees were over-represented in more recent periods (for example, a high number commenced work in 2001) and were under-represented in the period 1980 through 1994.

Formal employees were more likely than informal employees to enjoy a permanent relationship with their employer (84.3% and 44.0%, respectively). All categories of informal employment were over-represented in the temporary and casual employee

categories (Table 12). Agricultural work – both commercial and subsistence – had a strong seasonal attribute.

**Table 12: Working conditions of the employee, by employment categories**

	F	CA	SA	I	D	TOTAL
<i>Number of employers</i>	6,366,732	590,440	120,897	590,201	893,409	8,671,978
One employer	96.5	98.0	95.8	87.8	92.6	95.6
More than one employer	3.5	2.0	4.2	12.2	7.4	4.4
<i>Year commenced working</i>	6,388,392	595,672	121,332	596,154	914,356	8,724,812
-1979	6.6	6.6	3.9	4.2	3.9	6.1
1980-1989	20.1	15.6	9.9	8.3	11.5	17.8
1990-1994	17.7	16.8	12.6	8.3	13.8	16.4
1995-1999	32.2	32.0	30.9	30.6	33.5	32.1
2000	9.6	10.0	13.9	15.8	14.9	10.8
2001	13.8	19.0	28.8	32.8	22.5	16.8
<b>Work</b>	6,384,676	594,659	120,474	585,449	898,541	8,688,183
Permanent	84.3	73.4	56.1	44.0	61.3	77.8
Fixed period contract	3.6	2.8	2.5	4.0	2.0	3.4
Temporary	7.2	13.6	24.9	30.1	23.3	11.3
Casual	4.8	3.7	12.0	20.7	13.1	6.7
Seasonal	.2	6.4	4.5	1.2	.3	.8
<b>Written contract</b>	6,400,213	597,397	122,241	596,010	914,523	8,740,544
Yes	65.2	37.3	10.0	14.9	9.3	52.8
No	31.4	60.8	87.4	82.1	88.2	43.7
Don't know	3.5	2.0	2.6	3.0	2.5	3.5
<b>Supervision of work</b>	6,364,460	595,993	120,606	593,859	909,741	8,686,378
Work supervised	85.6	92.7	78.5	70.7	69.0	83.2
Work independent	14.4	7.3	21.5	29.3	31.0	16.8
<i>Contribution to pension or retirement fund</i>	6,175,294	586,338	120,832	577,452	896,473	8,449,009
Yes	66.7	18.5	4.1	11.8	3.6	51.5
No	33.3	81.5	95.9	88.2	96.4	48.5
<b>Paid leave</b>	6,238,978	588,944	121,172	581,335	899,654	8,526,314
Yes	73.8	34.1	11.5	16.4	18.8	60.0
No	26.2	65.9	88.5	83.6	81.2	40.0
<i>Trade union membership</i>	6,111,215	592,567	120,753	576,152	902,832	8,400,089
Yes	44.0	10.1	3.0	8.4	1.5	33.7
No	56.0	89.9	97.0	91.6	98.5	66.3

F=Formal, CA= Commercial Agriculture, SA=Subsistence Agriculture, I=Informal,  
D=Domestic

Just over fifty percent of all employees had a written contract, however, this was significantly skewed in favour of formal employees, 65% of whom had a written contract (Table 12). Over 80% of all informal employees (informal, domestic and subsistence agriculture) stated they had no written contract with their employer.

Supervision of work was common for 83.2% of all employees. Of the various employment types, informal and domestic workers had the most independence from supervision (29.3% and 31.0%, respectively, reported they worked independently).

Two thirds of formal employees worked for an employer who made contributions to a pension or retirement fund (Table 12). Employers of informal employees are significantly less likely to do so, with only 11.8% of informal employees reporting an employer contributing to a pension or retirement fund. The picture is similarly dismal for other non-formal employees.

Formal employees showed significant advantages over other types of employee in respect to paid leave and membership of a trade union (Table 12). Comparing formal and informal employees, 73.8% of the former confirmed paid leave relative to only 16.4% of the latter. And while the proportion of formal employees who were members of a trade union was relatively low (44.0%), this was significantly higher than informal employees (8.4%).

The LFS measures several work-related indicators for all workers (employees and own account), including access to medical aid, hours of work, size of the organisation

and location (Table 13). The results demonstrated that medical aid is virtually unattainable for all but formal workers and even their rate of affirmation was low. Just less than fifty percent either contributed UIF payments or were excluded from UIF because of a high income. Sixty percent of formal workers contributed UIF payments compared with 4.5% of informal workers.

About a quarter of informal workers would like to work additional hours, however, the average hours worked by informal workers was similar to the average hours worker by formal workers (Table 13).

Size is one of the characteristics used to define an organisation as formal or informal. Generally, informal workers worked for small-sized organisations (over 50% of informal workers worked as individuals compared with 2.7% formal workers). In contrast, over half of formal workers worked in organisations that had 20 or more regular workers.



**Table 13: Working conditions, by employment categories**

	F	CA	SA	I	D	TOTAL
<i>Medical aid or health insurance</i>	6,713,861	660,620	351,909	1,857,811	905,437	10,589,652
Yes, self only	15.0	4.2	.1	1.1	.6	10.1
Yes, self & dependants	23.3	3.7	1.0	2.2	.7	15.5
No medical aid benefit	61.7	92.1	98.9	96.7	98.7	74.4
<b>UIF Deductions</b>	6,574,449	648,396	353,412	1,843,531	896,636	10,406,419
Yes	60.1	39.7	4.3	4.5	3.5	41.9
No, income above UIF	7.7	3.1	2.5	5.7	5.9	6.7
No, other reason	32.2	57.2	93.1	89.8	90.6	51.3
<i>Hours worked past seven days (incl. overtime)</i>	6,844,170	664,789	354,248	1,857,335	910,761	10,759,925
Mean	46.10	50.90	32.80	45.49	42.31	45.55
<i>Hours worked in an average week (incl. overtime)</i>	6,832,992	663,669	354,209	1,857,230	909,495	10,745,554
Mean	46.87	51.77	33.56	46.61	42.87	46.37
<i>Flexible working hours</i>	6,821,695	664,311	356,320	1,862,897	907,838	10,735,397
Can decide fully	8.9	11.8	65.4	67.8	8.7	21.3
Limited range	4.8	1.3	5.0	7.2	10.0	5.5
Fixed by employer	86.3	86.9	29.5	25.0	81.3	73.2
<b>Longer hours</b>	6,747,020	657,622	353,674	1,843,461	902,594	10,621,830
Yes	13.3	10.0	19.3	26.3	17.1	15.9
<i>Number of regular workers</i>	6,550,854	655,779	357,641	1,856,611	910,261	10,429,170
1	2.7	2.9	40.0	54.8	80.0	20.1
2-4	9.5	11.7	32.9	30.9	15.7	15.0
5-9	11.5	15.4	11.3	6.3	1.6	10.0
10-19	16.1	19.8	7.1	2.8	1.6	12.4
20-49	19.4	21.9	4.8	2.7	.6	14.4
50+	40.8	28.4	3.8	2.5	.5	28.1
<b>Location</b>	6,866,236	665,941	358,650	1,872,801	914,723	10,800,988
Owners home/farm	3.2	75.8	80.7	50.1	42.5	21.9
Someone else home	.6	1.7	4.2	8.9	55.9	7.0
Factory/office	62.7	15.8	1.4	4.4	.4	42.0
Service outlet	28.3	.9	.9	7.4	.5	19.7
At a market	.3			.8		.3
Footpath, street	1.5	3.2	6.5	6.4	.2	2.6
No fixed location	2.9	1.5	5.9	21.4	.5	6.1
Other	.5	1.0	.5	.6	.1	.5

Of the employed, the highest number work in a factory or office (42.0%) with high proportions working in the owners home or farm (21.9%) or a service outlet (19.7%) (Table 13). Formal workers showed higher than average proportions in factories,

offices and service outlets while informal workers were more likely to work in the owners home or farm (50.1%) or had no fixed location of work (21.4%).

Criteria used to define a worker as formal or informal include size of the organisation, the registration of an organisation (or individual) as a company or closed corporation, and registration for payment of VAT. The LFS includes two questions that measure registration (Table 14).

**Table 14: Registration of business, by employment categories**

	F	CA	SA	I	D	TOTAL
<i>Organization or business a registered company or closed corporation</i>	6,682,466	651,319	342,737	1,820,397	898,361	10,447,311
Yes	83.6	93.1	9.4	7.2	4.8	61.5
No	16.4	6.9	90.6	92.8	95.2	38.5
<b>Registered for VAT</b>	6,523,454	626,737	337,702	1,817,379	888,316	10,235,708
Yes	79.7	90.0	8.2	6.1	4.6	58.2
No	20.3	10.0	91.8	93.9	95.4	41.8
<b>Sector</b>	6,872,924	665,941	358,983	1,873,136	913,544	10,684,529
Formal sector	100.0	100.0			5.0	71.0
Informal sector			100.0	100.0	95.0	29.0

The majority of formal enterprises were registered as a company or closed corporation (83.6%) and/or were VAT-registered (79.7%). In contrast, extremely low proportions of informal economy workers were registered.

Using the September 2000 LFS Budlender et al (2001:14) examine the characteristics of formal sector workers in similar fashion to what we have done above to construct a new variable using these characteristics to indicate the number of informal attributes of each worker. They then show that over 45% of workers employed in the formal sector displays one or more of these characteristics. Similarly, Muller (2002) uses the OHS and LFS to show that large numbers of jobs in the formal economy display

characteristics of informal work, and concludes that the estimates of informal work are significantly lower than the true level of informal work in the economy. This challenges the very notion of 'atypical' work.

Smaller scale case studies confirm the existence of high levels of informal-type work in the formal sector of the economy. Given the myriad of different forms of what is often termed 'non-standard' or 'atypical' work in the formal sector a note on categorisation is warranted. Theron and Godfrey (2000) distinguish between casualisation and externalisation of work. The essence of the difference is between the nature of the contract. In the case of casualisation (i.e. the increase in the use of casual, temporary and part-time workers) the relationship is still an employment relationship. Externalisation in contrast is where part of the work is put out to external contractors or agents who are bound by commercial contracts rather than employed.

In late 1995 Standing et al interviewed just under 400 manufacturing firms for the first South African Enterprise Labour Flexibility Survey (SALFS). These authors noted (1996:330) that the firms came disproportionately from the upper end of the industrial sector, a segment of the sector they argue is likely to be relatively good in terms of their employment and labour practices. The survey demonstrated that about a quarter (26.8%) of firms reported they used part-time workers and 82.5 % of all firms had employed temporary or casual labour in the recent past.

In this paper the term contract worker is used to refer to a worker who is employed through an agency or middle person.<sup>2</sup> Schömann and Schömann (2000:4) point out there is a triangular employment relationship which involves a worker, a company acting as temporary work agency and a user company, whereby the agency employs the worker and places him or her at the disposition of the company. Labour force statistics largely do not capture trends in this type of contract work. Other means of assessing prevalence and quantifying changes have to be used. Data can either be gathered from firms or at an industry level (i.e. assessing the demand for intermediaries) and / or the number and size of intermediaries (labour brokers and employment agencies) can be assessed (i.e. assessing the supply of these services).

With respect to demand for labour intermediaries Standing et al (1996) note that there is an increase in the use of contract labour both in sectors that traditionally used contract labour and those that traditionally have not. Mines for example have for many years used contract workers for certain specialist tasks. In the 1980's and 1990's mines have not only contracted out all their non-core tasks (catering, ground maintenance, office cleaning) but also started using contract workers for core mining activities. In gold mining, contract employees constituted 3% of the workforce in 1987. By 1994 this risen to 10%. In coal mining 5% of the workforce were contract employees, by 1994 they accounted for 16% of the workforce (Standing et al 1996:302). Since the 1970's stevedoring companies have made use of contract labour, however the use of labour brokers has proliferated in recent years (see Hemson, 2000 and Stratton 1997). Kenny (2000:3) in her analysis of the retail sector, not only demonstrates that casual and subcontracted labour constitutes up to 65% of

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<sup>2</sup> It should be noted that the term 'contract' work is also sometimes used to refer to fixed term contract employment.

total employment, but highlights how core tasks like shelf packing are increasingly now done by employees of labour brokers, contracted by suppliers.<sup>3</sup>

A sector that traditionally did not make use of contract labour is manufacturing. The SALFS found that 45.4% of firms used contract labour (Standing et al, 1996:343). These trends are confirmed in Theron and Godfrey's (2000) more qualitative study in which interviews were conducted with key informants in retail, mining, manufacturing (food, clothing, metal and engineering) catering and accommodation, construction and transport. Almost all informants reported an increase in the use of labour brokers and employment agencies (2000:27). There are also signs of an increase in the use of labour brokers in agriculture (see for example Du Toit and Ally, (2001) on Western Cape horticulture.)

There is less information on the supply side. Naidoo (1994) found that there were 1 200 labour brokers registered with the Department of Labour, 800 of which were operational. The author estimated that there were a further 2 000 unregistered labour brokers. Rees (1997:31) more recently noted that the majority of brokers are not registered but estimated that there between 3 000 and 5 000 brokers supply 100 000 to 120 000 temporary workers to companies in South Africa. In the iron and steel sector alone there are 600 brokers supplying between 30 000 and 60 000 workers. Theron and Godfrey (2000:28) also state that there is clearly an increase in the number and size of intermediaries such as employment agencies and labour brokers. They give the example of Privest Outsourcing that in the space of nine years has grown to be a

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<sup>3</sup> See also Kenny and Webster (1999) for further analysis of these two sectors.

listed company operating nationally. The growth in labour brokering is an issue where further analysis is necessary.

Another form of externalisation is the process of setting up independent contractors. The dependence / independence of these contractors varies. On one end of the spectrum a system of independent contracting can be set up simply to avoid labour legislation with there being no substantive change in the employment relationship. The contractor is still completely dependent on the 'employer' who then does not have to pay any benefits. On the other end of the spectrum are those contractors who genuinely establish small businesses. They may start with only having one source of work but then expand to servicing a number of different clients.

Once again it is very difficult to assess these trends through national labour force statistics or even through sector analyses. Case study material however demonstrates that subcontracting relationships are on the increase. Skinner and Valodia (2001) recently conducted an analysis of the Confederation of Employers South Africa (COFESA), a labour consultancy that assists companies to restructure their workforces, to change employees to contractors and to outsource production to them. Companies restructure their workforce into a system of independent contractors thereby bypassing provisions of the Labour Relations Act.<sup>4</sup> COFESA firms no longer have to adhere to collective agreements on minimum wages or contribute to any of the benefit or training schemes. In the work place, other than changes in labour conditions, everything else remains the same. Skinner and Valodia

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<sup>4</sup> COFESA was using Section 213 (f) of the Labour Relations Act which defines an 'employee' as 'any person, *excluding an independent contractor*, who works for another person or for the State and who receives, or is entitled to receive, any remuneration' (emphasis added). This loophole has been addressed through recent labour legislation amendments.

demonstrate how in recent years COFESA has experienced dramatic growth. By the end of 2000 they estimated that this had resulted in the establishment of over 700 000 independent contractors. COFESA members are involved in many different sectors: food, farming, transport, construction, engineering and particularly in footwear and clothing manufacturing.

A system of establishing independent contractors has been used in agriculture for many years. The Centre for African Research and Transformation or CART (2000) outlines how all the large forestry companies – Mondi, Safcol and Sappi - now hire contractors to carry out planting, tending and silvicultural operations. CART estimates that the outsourcing of forestry activities has created an industry with an annual turnover of R600 million and 35 000 employees. A similar system operates in the sugar industry.

The system of independent contracting has often been aligned with business trying to undermine the strength of unions. Esselaar (2001) gives the example of a baking company, which established an owner-driver scheme for the distribution of bread, particularly targeting union ‘trouble makers’ which the company did not want to keep but could not fire. Theron (quoted in the Labour Bulletin, June 2001) in a discussion about unions and sub-contracting pointed out that shop stewards are often targeted when these schemes are introduced.

Standing et al (1996:345) conclude their analysis of the use of external flexibility by stating: ‘In sum, South African industry has resorted fairly extensively to external flexibility, and there is clearly no strong barrier to doing so.’

## Conclusion

Given the size and growing importance of the informal economy it is important to measure the sector accurately. Accurate measurement will facilitate improved predictions and modelling of economic performance and market behaviour (ILO 2002: 13). It is in the interests of numerous role players to obtain accurate measurement of the informal economy. Governments would benefit from more accurate economic indicators, labour organisations such as ILO would obtain a solid grounding for policy development, and organisations representing workers would have empirical data to expose and counter exclusion, exploitation and market biases.

Our analysis in this paper points to two important conclusions. First, the estimates of informal employment in South Africa, and hence of total employment, are variable and unreliable. Ideally any policy discussions based on these data should come with the health warning: ‘The total number of workers in the informal economy cannot be precisely determined’. Second, some workers classified in the informal economy display characteristics of work which are considered to be formal, and large numbers of workers classified in the formal economy display characteristics of work commonly associated with informal work. South Africa should thus consider adopting a work characteristics based definition of informal work. The ILO (2002) has recently proposed such a definition. Preparatory documentation for the 2002 International Labour Conference proposes the following definition: The informal economy comprises informal employment (without secure contracts, worker benefits or social protection) of two kinds. The first is informal employment in informal enterprises (small unregistered or unincorporated enterprises) including employers, employees,



own account operators and unpaid family workers in informal enterprises. The second is informal employment outside informal enterprises (for formal enterprises, for households or with no fixed employer), including: domestic workers, casual or day labourers, temporary or part-time workers, industrial outworkers (including home based workers) and unregistered or undeclared workers.

## **Appendix 1: The International Definition of the Informal Sector**

**As adopted by the 15<sup>th</sup> International Conference of Labour Statisticians 1993**

[Text Adapted from Charmes (2000:1-2)]

For statistical purposes, the informal sector is regarded as a group of production units which form a part of the household sector as unincorporated enterprises owned by households.

Household enterprises are distinguished from corporations and quasi corporations on **the basis of their legal status and the type of accounts** they hold. With respect to the former they are not constituted as separate legal entities independently of the household or of the household members that own them. With respect to the latter no complete set of accounts are available which could permit a clear distinction between the production activities of the enterprise and its operation as a main or secondary activities of their owners.

The informal sector is defined, irrespective of the kind of workplace, the extent of fixed capital assets, the duration of the activity of the enterprise and its operation as a main or secondary activity, as comprising:

1. Informal self owned enterprises, which may employ family workers, and employees on an occasional basis. For operational purposes and depending on national circumstances, this segment comprises either self owned enterprises or only those which are not registered under specific forms of national legislation (factories or commercial acts, tax and social security laws, professional groups, regulatory or similar actions, laws or regulations established by national legislative bodies).
2. Enterprises of informal employers which may employ one or more employees on a continuous basis and which comply with one or both of the following criteria:
  - Size of establishment below a specified level of employment (defined on the basis of minimum size requirements embodied in relevant national legislation or other empirical or statistical practices).
  - Non-registration of the enterprise or its employees.

For practical purposes the informal sector should be restricted to non-agricultural activities. Professionals and domestic workers are included in the informal sector as far as they comply with the definitional characteristics or criteria. Home based workers are included if they are own account or sub-contracting with other informal sector unions. Non-market production is excluded.

It is thus clear that the statistical definition distinguishes two main components or segments of the informal sector: the ‘family enterprises or self employed’ (own-

account informal enterprises) without permanent employees and the 'micro-enterprises' (informal employers) with permanent employees.

This definition has been incorporated into the system of national accounts. Having a common definition has significantly contributed to the collection of country comparable data.

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