

THE REAL ECONOMY BULLETIN

TRENDS, DEVELOPMENTS AND DATA

STATE OF SMALL BUSINESS 2024

The State of Small Business in South Africa, a special edition of the Real Economy Bulletin, summarises the available information on the number of small businesses, in total and by industry and province; their contribution to the GDP and employment; ownership by race, gender and age; and access to skills and infrastructure. For the formal sector, it also reviews the available data on the sector's investment and profitability. The analysis is primarily based on household surveys and financial data through 2024.

Key findings

- The available (limited) data suggest that formal small businesses contributed 19% of GDP and 33% of employment in 2023. The informal sector generated just under 5% of GDP but provided 17% of employment, mostly in the form of own-account workers, who operated microenterprises with no other employees.
- Formal small employers have seen a decline in both numbers and employment since the 2020 COVID-19 downturn. In contrast, formal own-account workers and informal businesses have more than recovered. Value added by formal small business reportedly dropped 7% in 2023, presumably largely due to loadshedding and slow overall economic growth.
- Small business in South Africa has long lagged far behind other upper middle income countries. Only around 6% of all working-aged adults are employers or own-account workers in South Africa, compared to 20% in other upper middle income countries outside of China, and 27% in China.
- The largest sectors for small formal business are commercial services and trade, followed by manufacturing. In the informal sector, trade is far more important, followed by community services and construction. The latter includes own-account artisans such as plumbers and electricians.

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- Whites owned 38% of small formal businesses in 2024, although they comprised only 7% of the working-aged population. Fifteen years ago, whites owned 57%. African women owned only 13% of small formal businesses in 2024, although they made up 41% of the working-aged population.
- The median age of formal business owners is 47, ten years more than for waged employees. One in ten white business owners is at retirement age.
- The median income for formal employers in 2024 was R15 000 a month, compared to R10 000 for the self employed. It was R4800 for waged workers in small formal business, and in large businesses it was R6000. Median incomes in the informal sector ranged from R5000 for employers to R2000 for waged workers and only R1200 for own-account workers.
- In the lowest-income 60% of households, only 8% said earnings from a business formed their most important income source. In the richest 10% of households, 17% said most of their income came from a business.
- Small formal businesses owned around 20% of private formal-sector assets in 2023. In contrast, most indicators suggest informal businesses had almost no assets at all.
- In 2024, Gauteng, the Western Cape and KwaZulu-Natal accounted for 74% of formal small business, compared to 58% of the working-aged population and a similar share in informal businesses. The number of formal employers has grown steadily only in the Western Cape. The provincial spread of informal business is proportional to the population.
- Waged workers in small formal business were half as likely to be union members as those in larger companies, with virtually no union members in the informal sector. Smaller formal businesses were substantially less likely than larger ones to provide retirement or medical funds, or to meet requirements in the Basic Conditions of Employment Act.
- In 2024, 22% of formal own-account business owners had graduated university, up from 17% in 2009. For formal employers, the share had risen from 13% to 17%. In contrast, only 5% of waged workers in small formal businesses had a degree in 2024. Under 5% of informal business owners had a degree, and only 30% had at least matric, compared to 55% of their formal counterparts.
- According to Statistics South Africa, 50% of informal businesses operated in their own homes in 2023. Over 30% worked outside (at an open market, taxi rank or sidewalk), 11% in someone else's home, and only 5% in a non-residential building. For business owners in the poorest 60% of households, around 90% had electricity at home but only 60% had running water. Just 14% had a computer, although 80% had a smartphone.

Number of small businesses

The number of small formal businesses fell 4% in 2024, capping a turbulent period in the wake of the COVID-19 downturn in 2020. The number of informal businesses dropped 2%, following an even more volatile recovery.

In 2024, the formal sector had almost 700 000 small businesses (defined as having under 50 employees). Of these, 460 000 had some employees, while the rest were own-account workers, often professionals or artisans. The informal sector had a total of 1.65 million businesses, but only just over 300 000 had any waged employees.

The number of formal small business has been relatively stagnant since the early 2000s. Periods of growth were largely reversed by the global financial crisis from 2008 to 2010 and more recently by the COVID-19 downturn. According to Statistics South Africa's Quarterly Labour Force Survey, the number of small formal employers fell 4% in 2024, and was 6% below 2019 levels. The number of own-account businesses in the formal sector was unchanged in 2024, but had grown by 22% compared to 2019. In the informal sector, 2% growth in the number of employers in 2024 was more than offset by a 3% fall in own-account workers, who constitute the vast majority of business owners in informal work. Still, the number of informal businesses remained above 2019 levels, despite the extraordinary fall in 2020. (Graph 1)

Graph 1: Number of formal and informal small businesses in thousands, 2010 to 2024 (a)

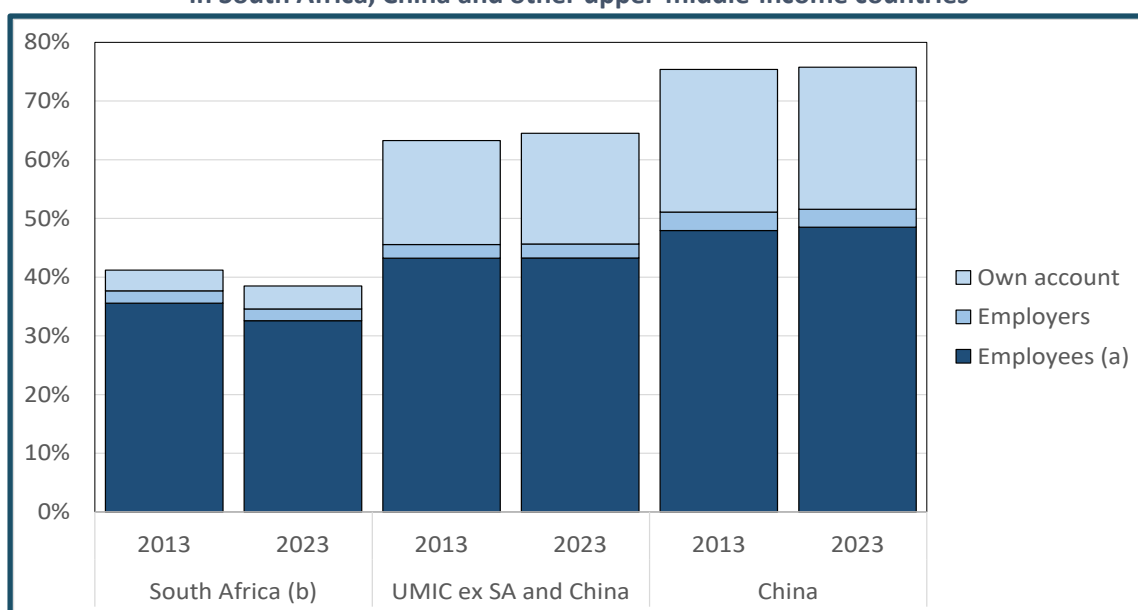


Note: (a) The third and fourth quarter of 2021 had very low response rates and are excluded. Source: Calculated from Statistics South Africa. Labour Market Dynamics Surveys for 2010 to 2019, and Quarterly Labour Force Surveys for 2020 to 2024. Electronic datasets. Datasets downloaded from Nesstar facility at www.statssa.gov.za.

The share of business owners in the working-aged population in South Africa has fluctuated around 6% since 1994. That is far below the norm for upper middle income countries. In China, International Labour Organization (ILO) estimates put the figure at 27%, with an average of 21% in other upper middle income economies.

As Graph 2 shows, the low level of self employment in South Africa largely explains the extraordinarily small share of adults with income-generating employment. In the main, it results from the apartheid-era destruction of black-owned businesses in both rural and urban areas.

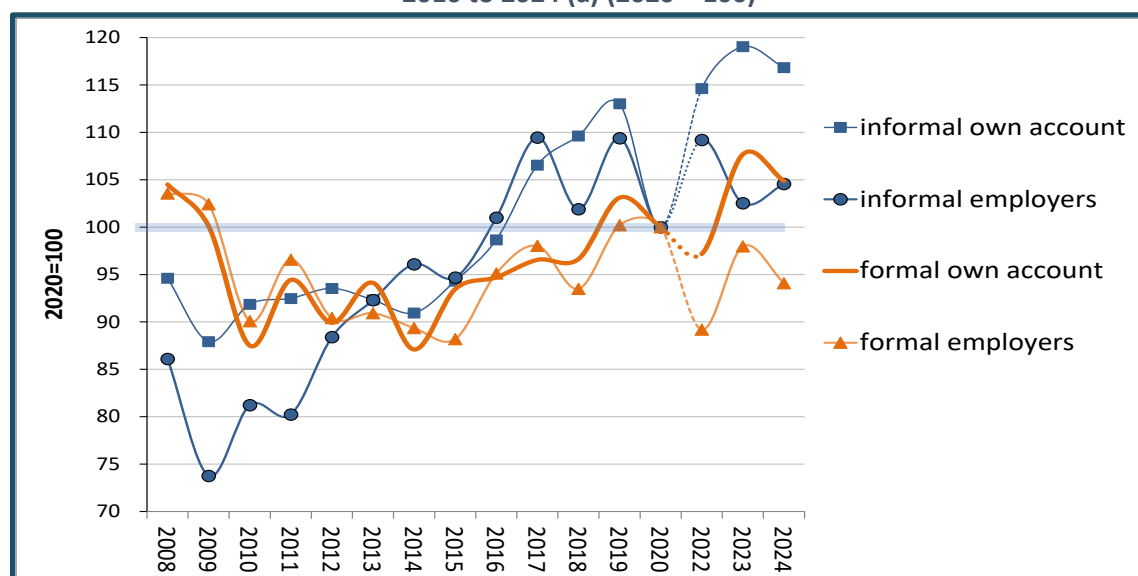
Graph 2. Employees (a), employers and own account as share of working-age population in South Africa, China and other upper-middle-income countries



Notes: (a) Includes unpaid family labour. (b) Data from Quarterly Labour Force Survey. Sources: For China and other upper middle income countries, calculated from ILOStat. Population by sex and age – UN estimates and projections July 2024; and Employment by sex and status in employment – ILO modelled estimates, November 2024. Accessed at www.ilo.org/data in April 2025. For South Africa, Quarterly Labour Force Survey. Average of quarters. Electronic datasets downloaded from Nesstar facility at www.statssa.gov.za.

Graph 3 provides an index of changes in the number of small business by type and sector from 2008, which saw a sharp fall during the global financial crisis, to 2024.

Graph 3. Indices of the number of formal and informal employers and own-account, 2010 to 2024 (a) (2020 = 100)



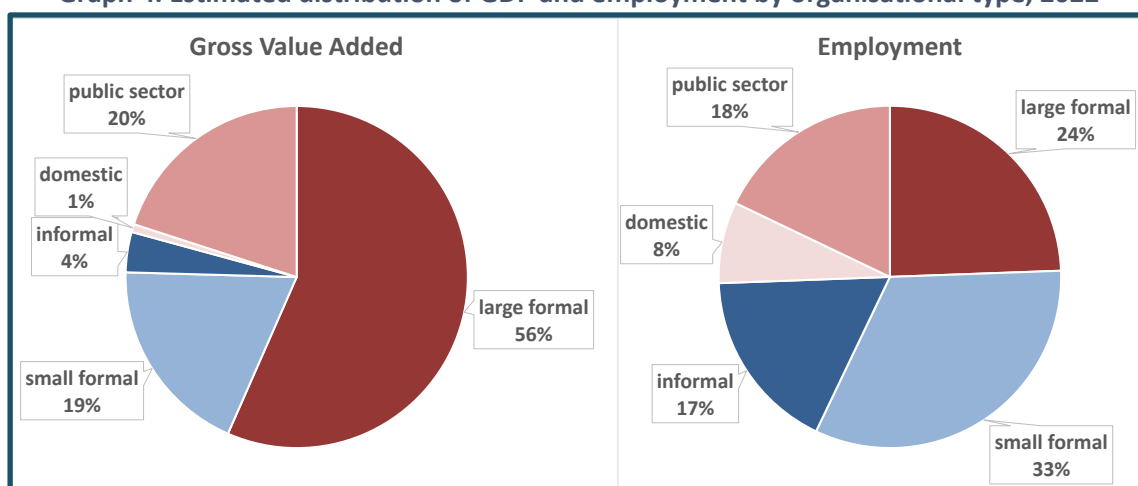
Note: (a) Third and fourth quarter of 2021 had very low response rates and are excluded. Source: Calculated from Statistics South Africa. Labour Market Dynamics Surveys for 2010 to 2019, and Quarterly Labour Force Surveys for 2020 to 2024. Electronic datasets. Datasets downloaded from Nesstar facility at www.statssa.gov.za.

Value added

Small businesses contribute around 25% of value added in the private non-agricultural formal sector, or just under 20% of the GDP as a whole. The available data suggest that the informal sector accounts for 4% of the GDP, although it generates 17% of total employment, mostly in the form of self employment. In 2023 – the latest available data – small formal business saw a 7% drop in value added, presumably in large part due to loadshedding.

According to the Annual Financial Statistics¹, small business accounted for 25% of private formal non-agricultural gross value added in 2022, calculated as remuneration plus profits. Adding in the public sector, domestic work and agriculture, that would equate to about 19% of national value added. The latest Labour Market Dynamics, for 2022, reports that incomes earned in the informal sector come to 4% of the total. For comparison, informal work accounts for around 17% of employment (mostly own account). Graph 4 estimates the contribution of formal and informal business to the GDP and employment in 2023. The higher share of employment than value added for small business reflects their concentration in relatively labour-intensive industries and activities, which typically have lower barriers to entry and smaller economies of scale.

Graph 4. Estimated distribution of GDP and employment by organisational type, 2022

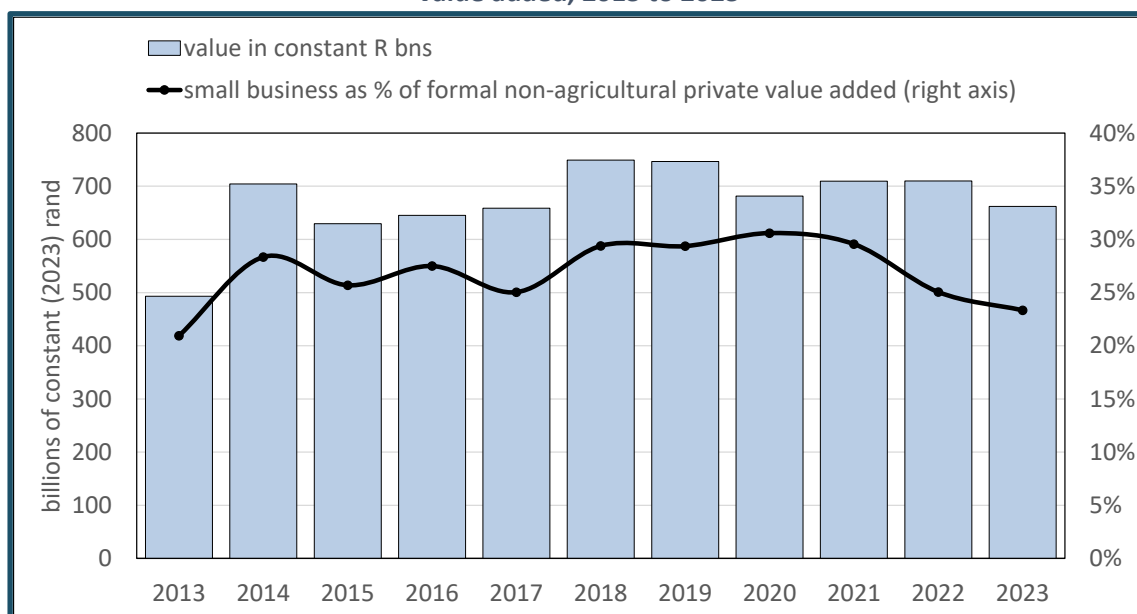


Source: Calculated from Statistics South Africa. Annual Financial Services 2023. P0021. Estimates by business size. Excel spreadsheet. Accessed at www.statssa.gov.za in March 2025; and Labour Market Dynamics. 2022. Electronic database. Downloaded from iSibalo data portal at www.statssa.gov.za in March 2025.

¹ Statistics South Africa does not publish data on economic contribution by size of enterprise. The estimates derive from Statistics South Africa's Annual Financial Statistics and Labour Market Dynamics. The latest Annual Financial Statistics is for 2023; for the Labour Market Dynamics database, it is 2022. The Annual Financial Statistics uses a sample of 14 000 formal businesses. The survey includes all large companies in the Statistics South Africa database of formal companies plus a sample of around 14 000 small and medium enterprises. It defines small business based on the turnover thresholds in the Small Business Act, which vary by sector from R4250 in forestry and fishing to R51 000 in wholesale trade. It is not clear how the turnover thresholds were derived, or how they relate to value added and employment. The Labour Market Dynamics databases average figures for the Quarterly Labour Force Survey for the year, including self-reported income data that is only published annually. For the informal sector, where investment and saving remain very limited, the figures for income for employees, employers and own-account people largely equate to value added.

According to the Annual Financial Statistics, value added by small formal business shrank in real terms from the pandemic downturn in 2020 until 2023, after growing from 2013 to 2019. From 2013 to 2019, gross value added from small formal business climbed by 50%. It fell 5% from 2019 to 2022, however. In 2023, it plunged by 7%, presumably in large part due to loadshedding as well as the broader economic slowdown. As a result of these trends, the share of small business in value added in the non-agricultural formal private-sector fell from around 30% at the end of the 2010s to 23% in 2023, a level last seen more than a decade earlier. (Graph 5)

Graph 5. Gross value added by small formal non-agricultural business, in billions of constant (2023) rand (a) and as a percentage of total formal non-agricultural value added, 2013 to 2023



Note: (a) Reflated with average annual CPI rebased to 2023. Source: Calculated from Statistics South Africa. P0021. Estimates by business size for relevant years. Excel spreadsheets. Accessed at www.statssa.gov.za in March 2025.

Small business by productive sector

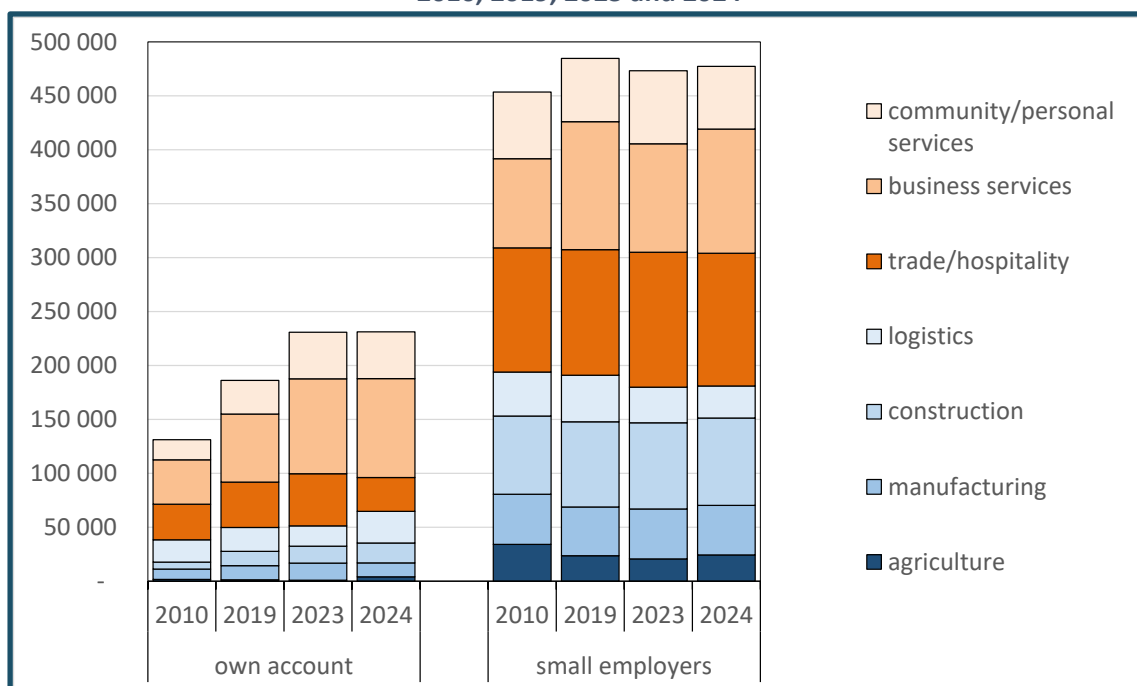
For small formal business, retail and commercial services hold the largest number of enterprises and together generate almost two thirds of gross value added. In the informal sector, retail is the dominant sector for own-account workers, but the lion's share of employers is in construction.

Formal and informal businesses had markedly different distribution across industries. The types of production undertaken by own-account workers also diverged substantially from businesses with employees.

In the formal sector, for the past decade a tenth of small employers have been in manufacturing. That contrasts with around a quarter in trade and hospitality. The number in business services, however, grew relatively rapidly, rising from 18% in 2010 to 24% in 2024. The share in construction has also increased, but much more slowly, from 16% in the 2010s to 17% in 2024. (See Graph 6). Construction includes artisans such as plumbers and electricians.

The pattern of production differed significantly for own-account businesses in the formal sector. For this group, business services were an increasingly dominant industry. The share of own-account workers in business services rose from 31% in 2010 to 39% in 2024. The share in community and personal services also climbed, increasing from 14% to 18%. In contrast, the percentage of formal own-account businesses in trade and hospitality reportedly dropped sharply, from 25% in 2010 to 13% in 2024. The declined reported almost exclusively in 2024, however, so it may reflect a statistical hiccup in the survey.

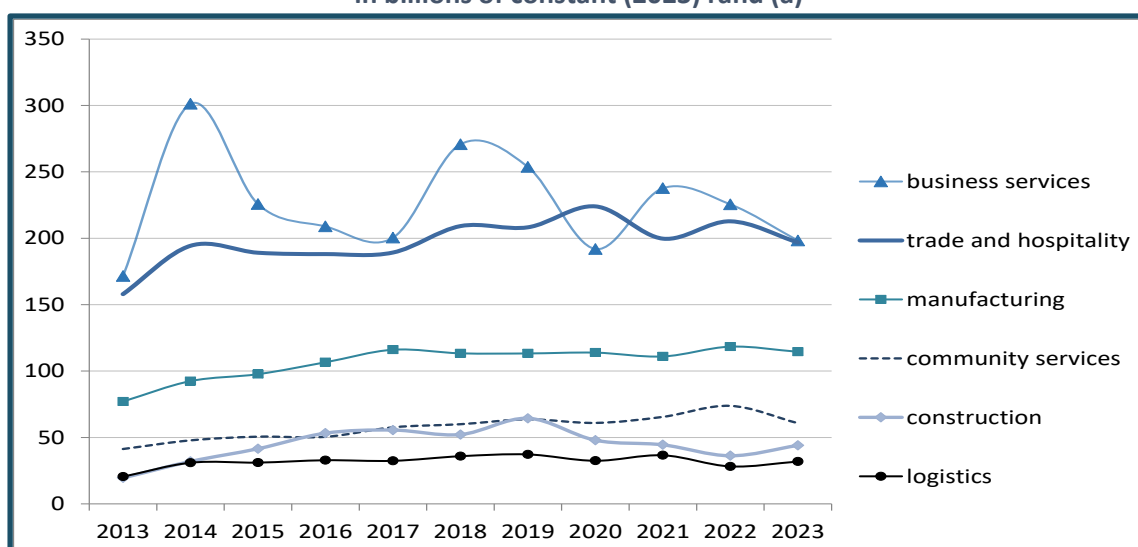
Graph 6. Number of formal small businesses by production sector, 2010, 2019, 2023 and 2024



Source: Calculated from Statistics South Africa. Labour Market Dynamics Survey for 2010 and 2019, and Quarterly Labour Force Surveys for 2023 and 2024. Electronic datasets. Datasets downloaded from Nesstar facility at www.statssa.gov.za.

The Annual Financial Statistics excludes most micro enterprises, and consequently most own-account workers. Still, it also finds that retail and business services are the main sectors for small businesses. Small business income from business services was volatile even before the pandemic downturn. In contrast, its value added in trade and hospitality climbed fairly steadily before the pandemic, rising some 40%, but has since then dropped back by over 10%. Manufacturing value added from small formal business climbed 50% from 2013 to 2019, then plateaued. (Graph 7)

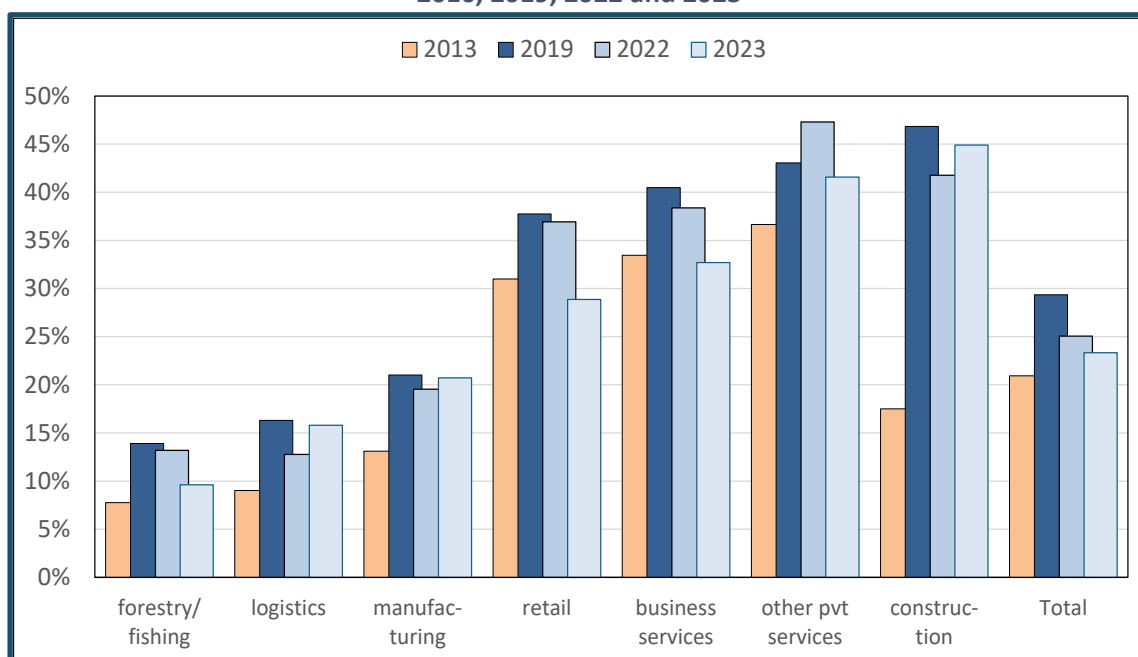
Graph 7. Gross value added from small formal business by sector, 2013 to 2023, in billions of constant (2023) rand (a)



Note: (a) Rebased with average annual CPI rebased to 2023. Source: Calculated from Statistics South Africa. P0021. Estimates by business size for relevant years. Excel spreadsheets. Accessed at www.statssa.gov.za in March 2025.

The share of small formal business in private value added climbed in virtually every sector from 2013 to 2019, but then dropped and has not fully recovered. In manufacturing, it jumped from 13% in 2013 to 21% in 2019. It has remained at that level or higher since then. Construction saw an even bigger jump in the 2010s, when the sector grew rapidly, although it has slowed in the past five years. The share of small formal business in value added in construction climbed from under 20% in 2013 to 47% in 2019. It has since flattened out at around 45%.

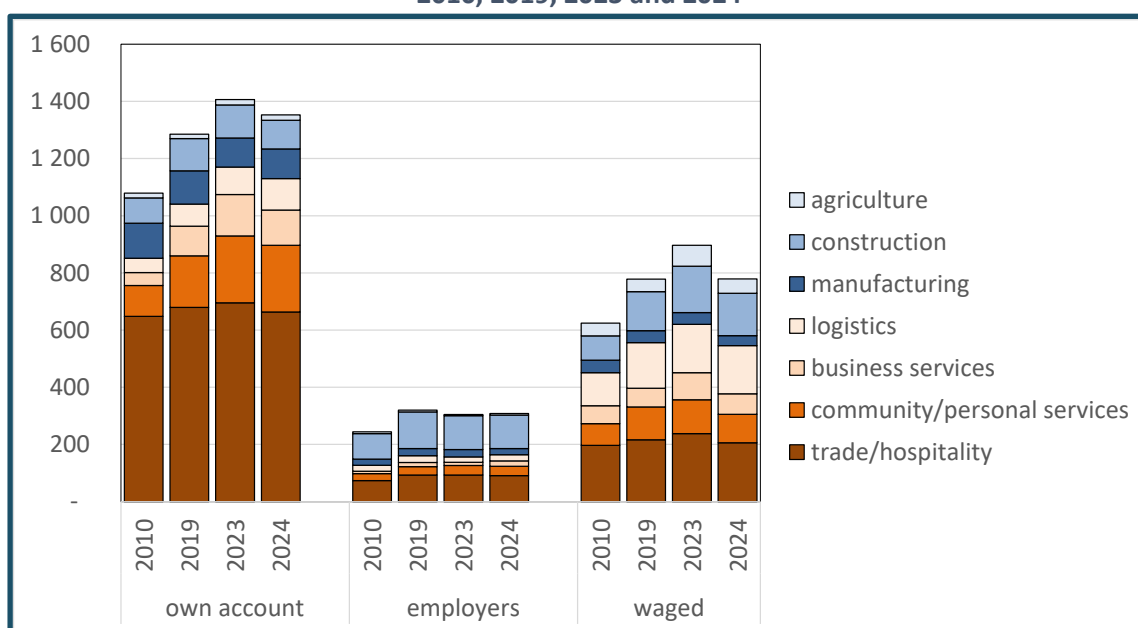
Graph 8. Share of small business in formal gross value added by production sector, 2010, 2019, 2022 and 2023



Source: Calculated from Statistics South Africa. P0021. Estimates by business size for relevant years. Excel spreadsheets. Accessed at www.statssa.gov.za in March 2025.

In 2024, over half of informal small businesses were in retail or business services. For own-account informal workers, the share of business services climbed from 4% in 2010 to 9% in 2024. Trade and hospitality reportedly shrank from 60% in 2010 to 49% in 2023 and 2024. In contrast, a stable 30% of the relatively small group of informal employers were in retail, with 38% in construction, 11% in community and personal services, and 6% in business services. The share of informal businesses in manufacturing remained stable over the past 14 years, with around one in 12 active in the sector. (Graph 9)

Graph 9. Informal own-account workers and employers by production sector, 2010, 2019, 2023 and 2024



Source: Calculated from Statistics South Africa. Labour Market Dynamics Survey for 2010 and 2019, and Quarterly Labour Force Surveys for 2023 and 2024. Electronic datasets. Datasets downloaded from Nesstar facility at www.statssa.gov.za.

Employment numbers

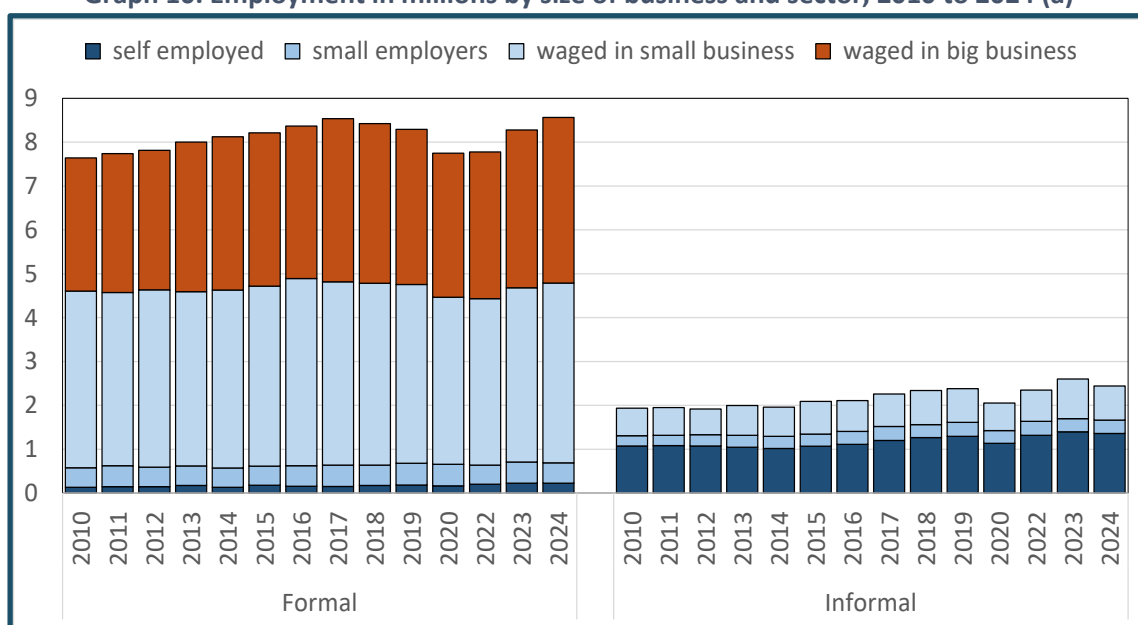
Small business contributed 66% of private-sector employment in 2024, around the same as in 2014, although there has been a modest shift from formal to informal business. Waged employment in small formal businesses has been flat, while in large businesses it has grown 7%. Informal employment climbed 3% from 2019 to 2024, but almost all of the growth was in own-account work. Small formal business is more likely than formal business to create waged work in trade and hospitality and in community and personal services, and much less likely to provide jobs in mining and manufacturing.

From 2010 to 2024, employment in the informal sector, including employers and the own account as well as waged, expanded from 1.9 million to 2.4 million, or just over 25%. Employment in large formal business, almost entirely waged, climbed at almost the same rate, rising from 3.0 million to 3.8 million. In contrast, the number employed in small formal business grew only 4%, from 4.6 million to 4.8 million. (Graph 10)

A critical factor in limited job creation by small formal business has been the slow recovery from the 2020 pandemic downturn. Employment in small business returned to 2019 levels only in 2024. In contrast, in 2024 big formal business had 500 000 more jobs than in 2019.

These trends meant that the share of all small businesses in total private employment has been stable at around 66% since 2014. However, the percentage working in formal small businesses declined from 48% in 2010 to 45% in 2019, and has fluctuated around 44% since then. In contrast, the share of employment in the informal sector climbed from 20% to 22% in the 2010s, then stabilised. Employment in formal large businesses, virtually entirely waged jobs, climbed from 32% in 2010 to 34% in 2024.

Graph 10. Employment in millions by size of business and sector, 2010 to 2024 (a)

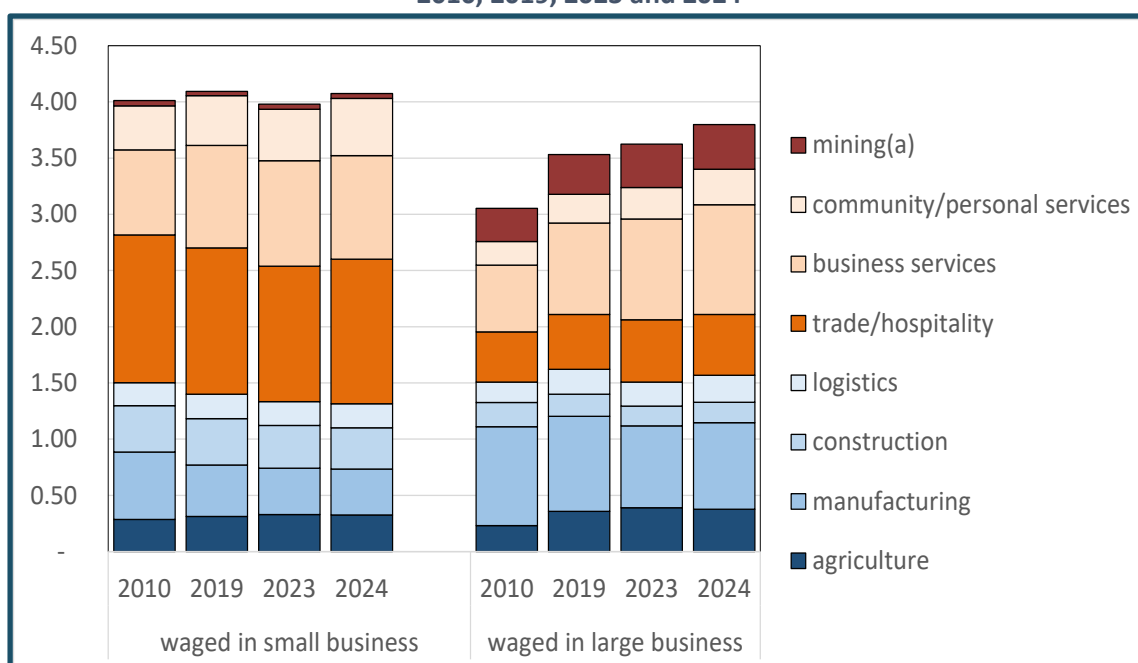


Note: (a) Third and fourth quarter of 2021 had very low response rates and are excluded. Source: Calculated from Statistics South Africa. Labour Market Dynamics Surveys for 2010 to 2019, and Quarterly Labour Force Surveys for 2020 to 2024. Electronic datasets. Datasets downloaded from Nesstar facility at www.statssa.gov.za.

Within small formal business, virtually all employment growth was from net new own-account work rather than waged jobs. From 2010 to 2024, formal own-account work accounted for half of all employment growth in small formal business, although it contributes only 5% of the total. As a result, its share climbed from 3% in 2010 to 5% in 2024.

By production sector, in 2024 small business accounted for over 60% of formal waged employment in trade and hospitality, construction, and community and personal services. In manufacturing, the figure was 35%, and in mining it was just 10%. In agriculture, logistics and business services, small employers provided just under half of total waged employment. (Graph 11)

Graph 11. Formal waged employment in small and large business by production sector, 2010, 2019, 2023 and 2024



Source: Calculated from Statistics South Africa. Labour Market Dynamics Surveys for 2010 and 2019, and Quarterly Labour Force Surveys for 2023 and 2024. Electronic datasets. Datasets downloaded from Nesstar facility at www.statssa.gov.za.

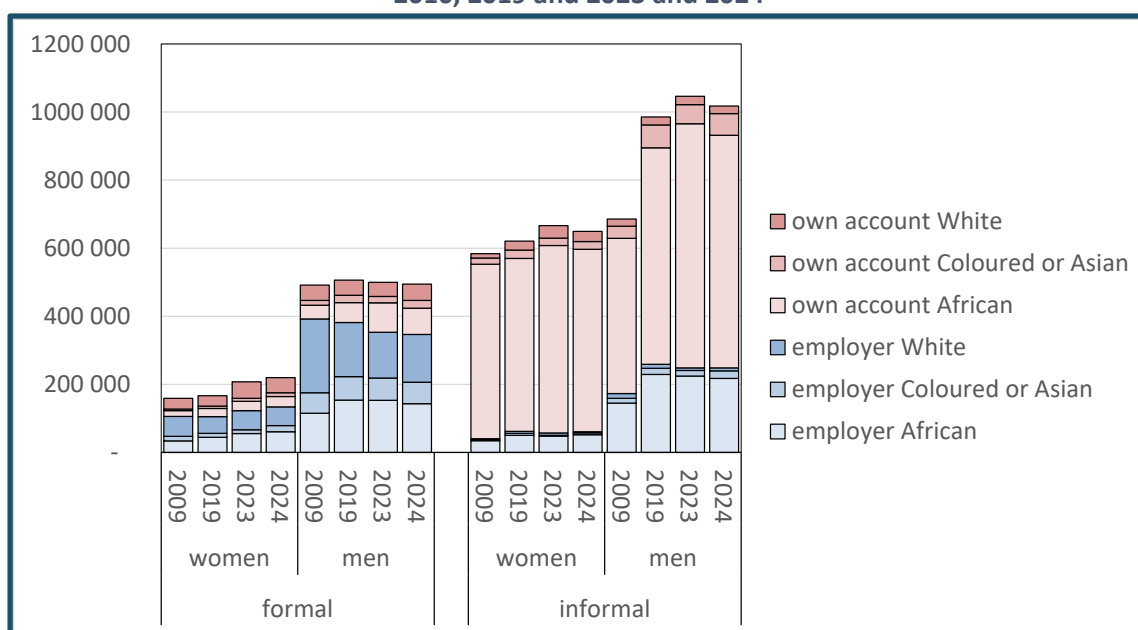
Ownership by race, gender and age

In 2024, white people, especially men, were still substantially over-represented in ownership of small formal business. In contrast, only around 13% of small business owners in the formal sector were African women. The median age for business owners was 47 years, ten years more than for waged workers. For white formal employers, the median age was 50, and a tenth were at retirement age.

As Graph 12 shows, in 2024 ownership of small formal business by race and gender remained skewed toward white men. Representativity had, however, improved substantially since 1994, when almost no formal business owners were black. Women accounted for 30% of small formal business owners, somewhat below their share in formal waged employment and far less than their share in the working-age population.

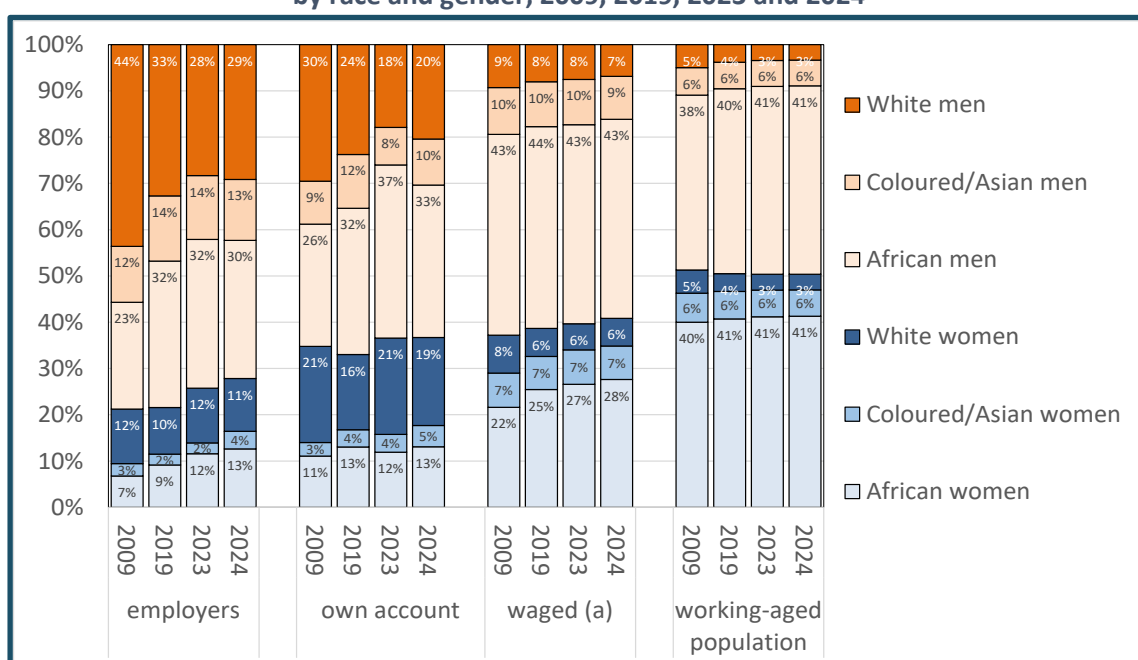
In the informal sector, virtually all business owners were black. In 2024, 40% were women. That percentage was essentially unchanged from the late 2010s.

Graph 12. Number of employers and the own account by race and gender, 2010, 2019 and 2023 and 2024



Source: Calculated from Statistics South Africa. Labour Market Dynamics Surveys for 2010 and 2019, and Quarterly Labour Force Surveys for 2023 and 2024. Electronic datasets. Datasets downloaded from Nesstar facility at www.statssa.gov.za.

Graph 13. Formal small business owners, waged workers and the working-age population by race and gender, 2009, 2019, 2023 and 2024



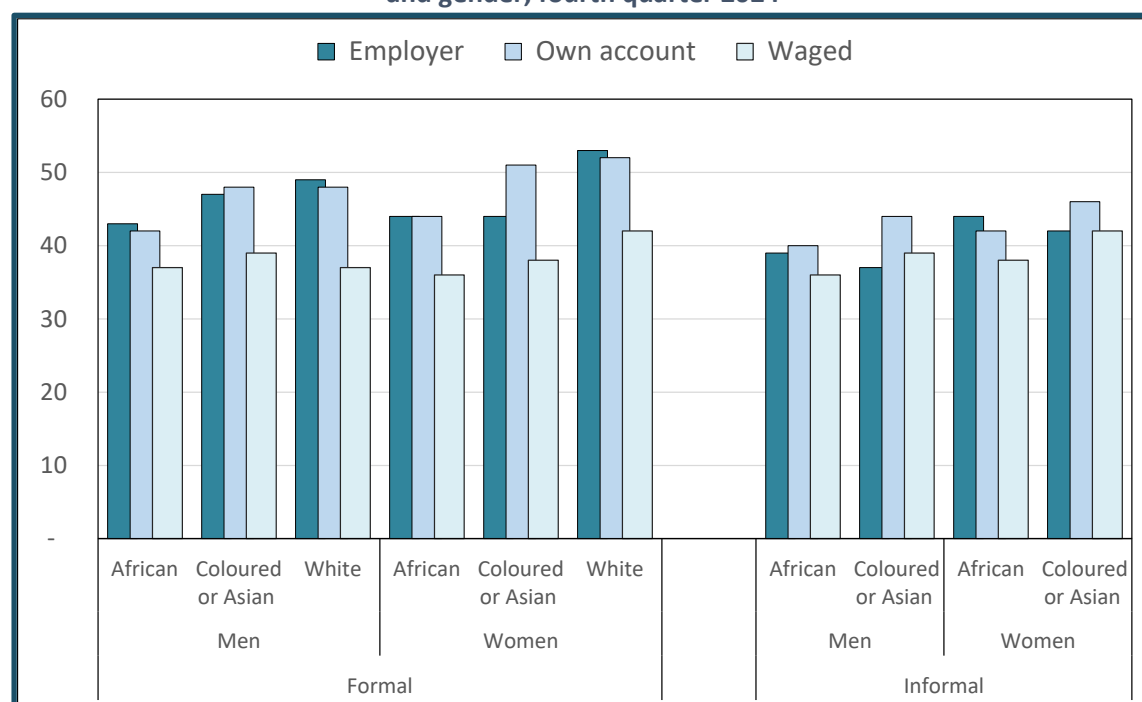
Note: (a) Includes workers in both large and small enterprise. Source: Calculated from Statistics South Africa. Labour Market Dynamics Surveys for 2010 and 2019, and Quarterly Labour Force Surveys for 2023 and 2024. Electronic datasets. Datasets downloaded from Nesstar facility at www.statssa.gov.za.

The share of formal employers who were white men fell from 44% in 2009 to 29% in 2024. For own-account workers, the share dropped from 30% to 20% in the same period. In the

working-age population as a whole, white men made up 3% in 2024. In contrast, around 13% of small business owners were African women, compared to over 25% of waged workers and 40% of the working-age population. (Graph 13)

Small business owners in the formal sector were, at the median, ten years older than their employees, at 47 years old. In the informal sector, business owners had a median age of 40, compared to 36 years for informal waged workers. White business owners were much older than others, however. (Graph 14)

Graph 14. Median age of employers, own account and waged workers by race (a) and gender, fourth quarter 2024



Notes: (a) Sample for white business owners in the informal sector is too small for reliability. Source: Calculated from Statistics South Africa. Quarterly Labour Force Survey. Fourth quarter 2024. Electronic dataset downloaded from Nesstar facility at www.statssa.gov.za.

Incomes

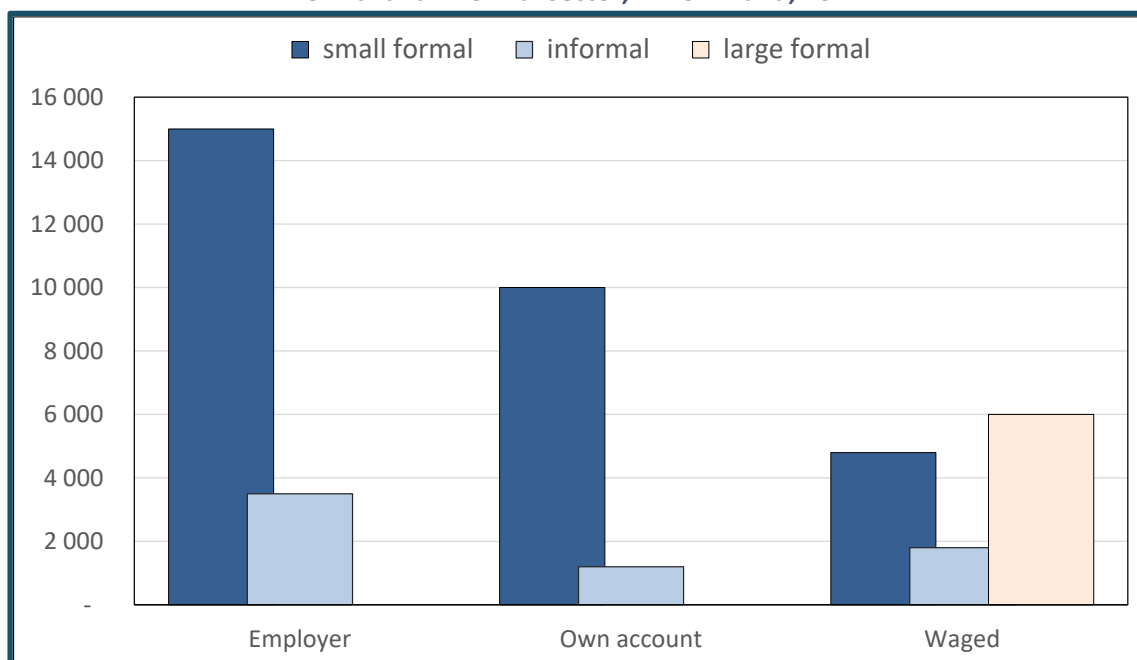
Median earnings for small business owners in the formal sector were more than three times as high as in the informal sector in 2022, the latest available data. Formal waged workers in small business earned somewhat less than their counterparts in larger businesses, although that was still more than most informal business owners.

In 2022, the latest for which small-business data are available,² employers in the formal sector reported median earnings of R15 000 a month, compared to R10 000 for own-account workers and R4800 for waged workers. In larger businesses, the median earnings of waged employees

² Statistics South Africa published a report on the 2023 Labour Market Dynamics in December 2024, but as of April 2025 had not released the underlying data set. The publication does not distinguish data by business size.

were R6000 a month. Earnings in the informal sector were far lower for every category of employment. The median for small employers was under R4000; for waged workers, under R2000, and for own-account workers, R1200. (Graph 15)

Graph 15. Median monthly earnings for employers, own account and waged workers in the formal and informal sector, in 2022 rand, 2022



Source: Calculated from Statistics South Africa. *Labour Market Dynamics 2022. Electronic database.*
 Accessed at ISibalo Data Portal at www.statssa.gov.za in March 2025.

Informal employers earned only a fraction as much as formal small business owners, and less even than waged workers in the formal sector. For own-account informal workers, the median income was even lower, falling below the old-age pension. Not surprisingly, a 2023 survey by Statistics South Africa found that two thirds of informal business owners said they became entrepreneurs because they had no other options for making a living.³

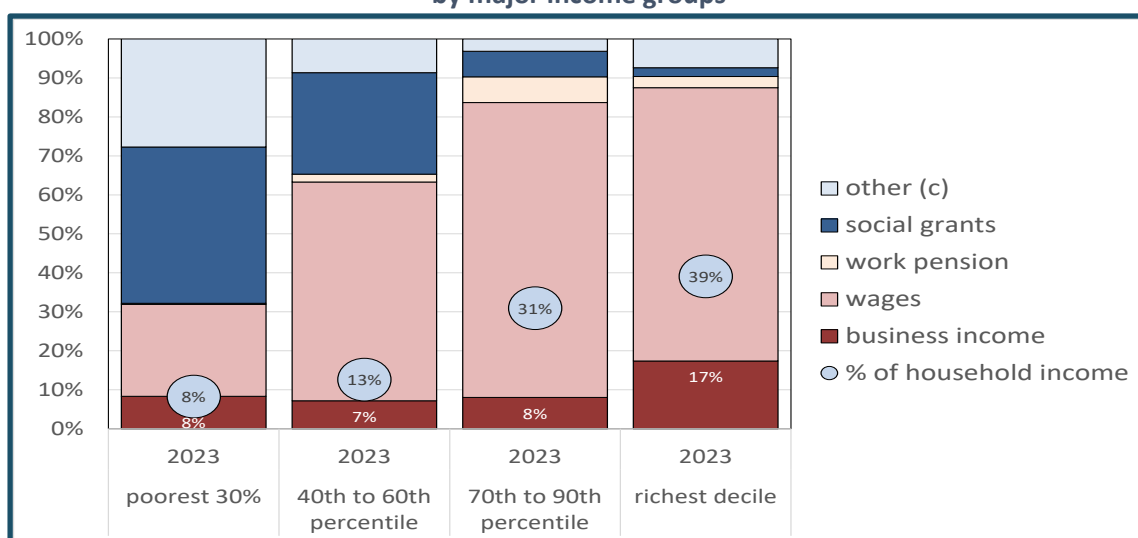
In constant rand (deflated with CPI), the 2023 Labour Market Dynamics report shows a decline in earnings for every category of employment – employers, own account and waged – over the past decade. It does not, however, provide data by size of employer or distinguish formal and informal businesses.⁴

The richest 10% of households was significantly more likely than lower-income groups to see business earnings as their main income source. In this group, which received around two fifths of all household income, 17% said their income came principally from a business. For the other 90% of households, the figure was 8%. For other households, access to waged employment seemed far more important for moving up the income ladder. (Graph 16)

³ Calculated from Statistics South Africa. *Survey of Employers and the Self Employed. 2023. P0276. Table 2, Page 45.* March 2025. Downloaded from www.statssa.gov.za in April 2025.

⁴ Statistics South Africa. *Labour Market Dynamics in South Africa, 2023.* December 2024. Downloaded from www.statssa.gov.za in April 2025.

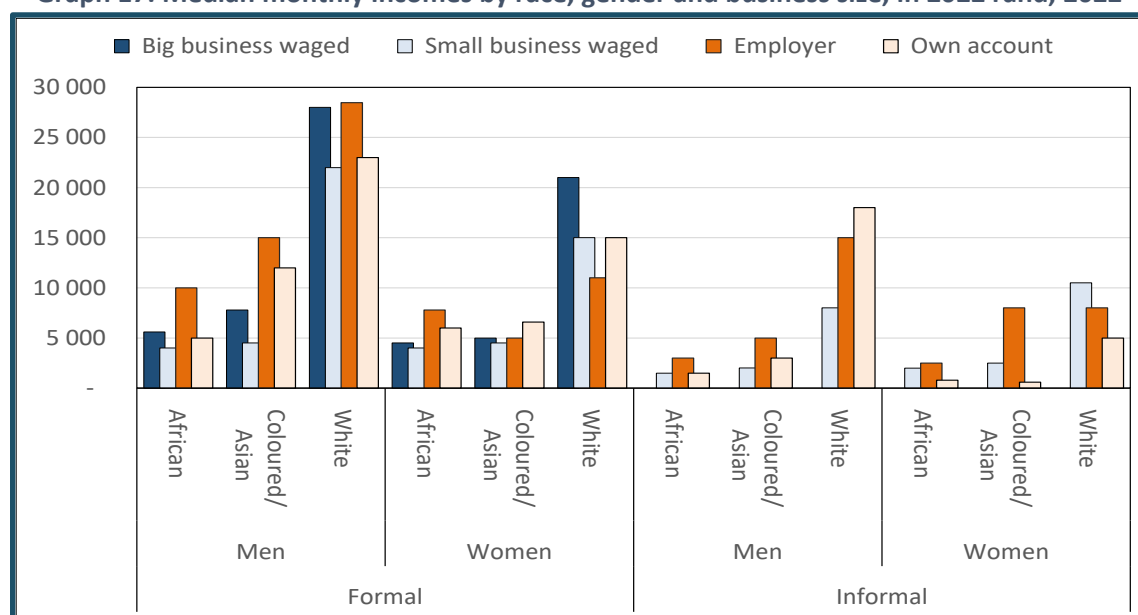
Graph 16. Main source of income (a) and share in total household income (b) by major income groups



Note: (a) Findings are share of households reporting each income source as their main source of income, not the share of income from that source in their total earnings. (b) Figures for 2022. (c) Includes remittances, other and none (no income source). Source: Main source of income calculated from Statistics South Africa. General Household Survey. 2023. Electronic database. Downloaded from Nesstar facility at www.statssa.gov.za in November 2023. Share of income calculated from Statistics South Africa. Income and Expenditure Survey 2022. Table 8.3.5. Page 303. Downloaded www.statssa.gov.za in March 2025.

Incomes for small business owners remain highly unequal by race and gender, as Graph 17 shows. That said, race-linked differences in employer earnings in the formal sector were less unequal than wages. Gender-linked differences, however, were larger for business earnings than for wages. Similar patterns held in the informal sector, with particularly low incomes for women working on their own account.

Graph 17. Median monthly incomes by race, gender and business size, in 2022 rand, 2022



Source: Calculated from Statistics South Africa. Labour Market Dynamics. 2022. Electronic dataset. Downloaded from Nesstar facility at www.statssa.gov.za.

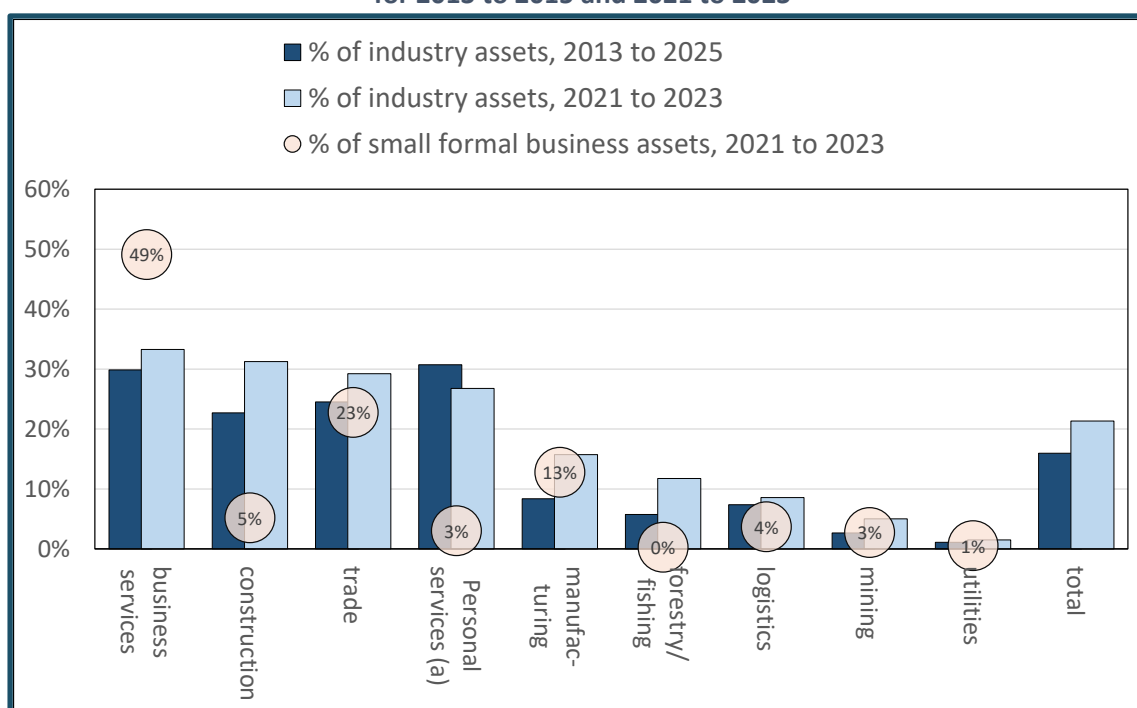
Assets

Small formal business, as measured by the Annual Financial Statistics, held around 20% of total private non-agricultural business assets in 2023. Most informal businesses, in contrast, had only very limited physical or financial assets.

According to the Annual Financial Statistics, which excludes own-account workers, small formal businesses held around 20% of total assets on average from 2021 to 2023. The small business share varied sharply by industry, however. They held under 5% of assets in mining and utilities, the most capital-intensive sectors. In contrast, they owned more than 30% of assets in business services, construction, trade, and personal and community services. Their share in manufacturing was 16%, which was twice as high as a decade earlier.

The value of small business assets varied significantly by industry. On average from 2021 to 2023, half of small business assets were in business services, a quarter in retail and hospitality, and a seventh in manufacturing. No other industry accounted for more than 5%. (Graph 18)

Graph 18. Small business assets as a percentage of total assets by industry, and share of assets in each industry in total small business assets, three-year averages for 2013 to 2015 and 2021 to 2023

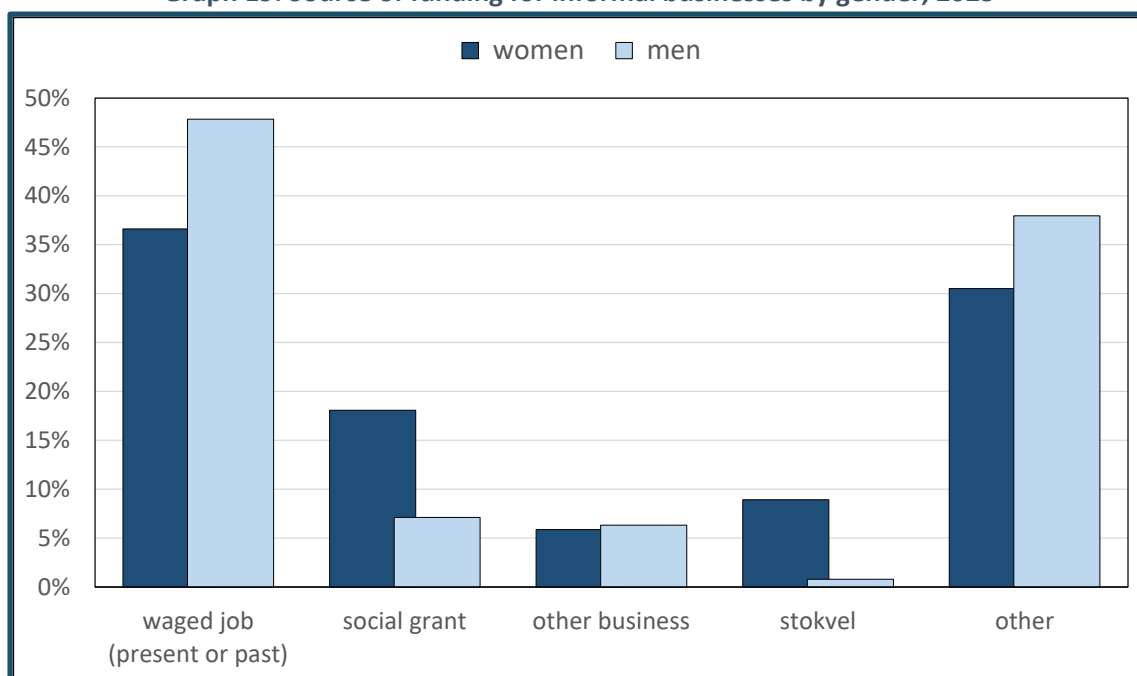


Source: Calculated from Statistics South Africa. Annual Financial Services for relevant years. P0021. Estimates by business size. Excel spreadsheet. Accessed at www.statssa.gov.za in March 2025.

Most informal businesses have very little financial or physical capital. The limited resources available are indicated by their sources of funding. According to Statistics South Africa's Survey of Employers and the Self Employed, in 2023 around 40% of informal business owners said they did not require any money at all to start their businesses. That in itself points to the very small scale and limited resources involved. Of those who required funding, more than 40% said they drew on past or current wages; 10% on social grants; 6% on other small businesses that they

already operated; and 6% on stokvel payouts. The picture differed significantly between women and men because women had less access to paid employment. As a result, almost 20% of women used social grants to set up their informal enterprise. Almost 10% used stokvel payouts, compared to just 1% for men. (Graph 19)

Graph 19. Source of funding for informal businesses by gender, 2023



Source: Calculated from Statistics South Africa. *Survey of Employers and the Self Employed*. 2023. P0276. Table 4, Page 47. March 2025. Downloaded from www.statssa.gov.za in April 2025.

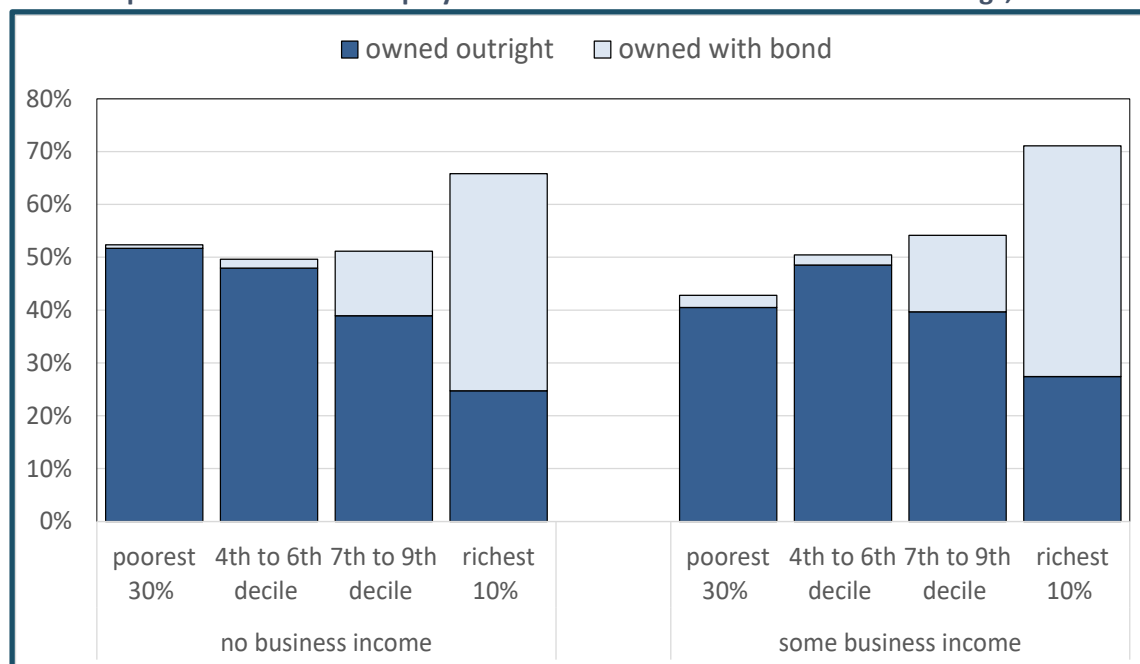
Of the 20% of informal businesspeople who initially used credit to start operations, eight out of ten relied on friends and family. Only one in ten obtained support from a commercial bank, a figure that has been almost unchanged for the past 20 years. The remainder relied on more or less informal lenders, ranging from mashonisa to credit unions.⁵

The available evidence does not bear out the argument that home ownership can increase the access of low-income households to financing for business activities. In the poorest 30% of households, people with income from a business are less likely than other families to own their home. In other income groups, business owners and others have virtually the same rate of homeownership. (Graph 20) Overall home ownership is high in South Africa because of the privatisation of township housing. Still, as it is almost impossible to get a bond on an informal or small township home, most business owners cannot leverage their houses to raise funds. In any case, most houses belonging to the poorest 60% of households are valued at under R100 000. In contrast, half of households in the top decile own a home worth over a million rand. (Graph 21)

⁵ Calculated from Statistics South Africa. *Survey of Employers and the Self Employed*. 2023. P0276. Table 4, Page 47. March 2025. Downloaded from www.statssa.gov.za in April 2025. The 2023 survey publication does not provide a gender breakdown for sources of credit, and the database has not yet been published.

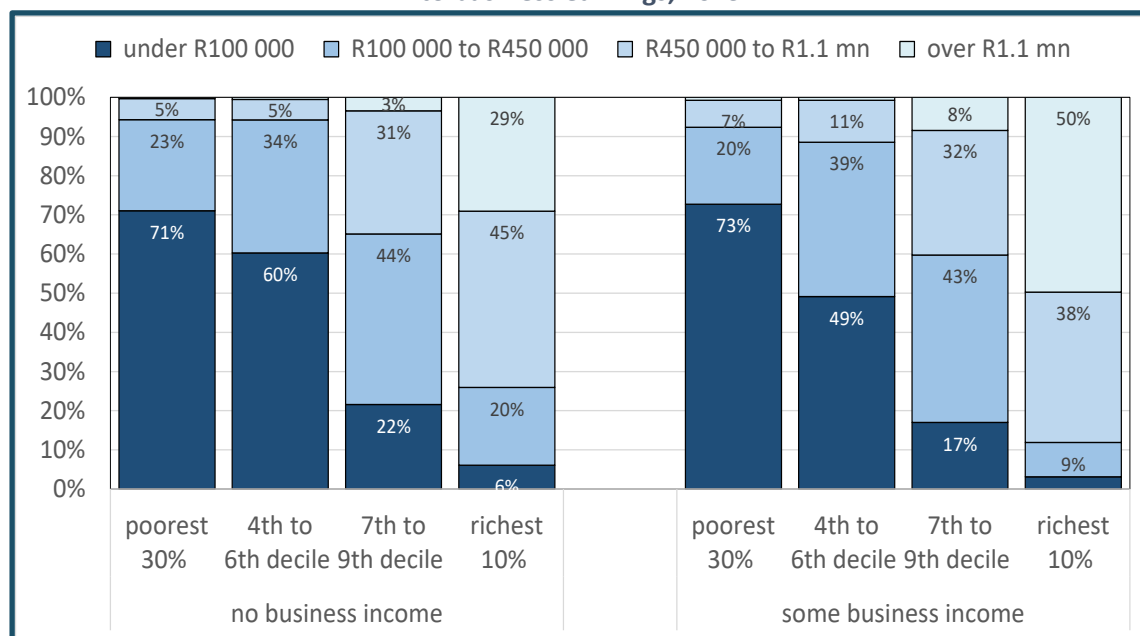
Moreover, some 44% of households in this group have a bond on their home, reflecting their easier access to credit.

Graph 20. Home ownership by income class and access to business earnings, 2023



Source: Calculated from Statistics South Africa. General Household Survey 2023. Electronic database. Downloaded from iSibalo facility at www.statssa.gov.za in March 2025.

Graph 21. Estimated value (a) of homes depending on income class and access to business earnings, 2023



Note: (a) Estimated based on reported mortgage and rental payment. Source: Calculated from Statistics South Africa. General Household Survey 2023. Electronic database. Downloaded from iSibalo facility at www.statssa.gov.za in March 2025.

Location by province

In 2024, Gauteng, the Western Cape and KwaZulu-Natal accounted for 74% of formal small business, compared to 58% of the working-age population and a similar share in informal businesses. The number of formal employers in Gauteng, however, has not recovered since the pandemic downturn in 2020, although it has grown steadily in the Western Cape. In contrast to the formal sector, the provincial spread of informal business is largely proportional to the population.

Formal business has remained highly concentrated in the provinces with major metros – Gauteng, the Western Cape and KwaZulu-Natal. From 2009 to 2024, the share of formal businesses in these provinces climbed from 71% to 74%. (Graph 22)

Graph 22. Share of formal and informal businesses by province, 2009 and 2024

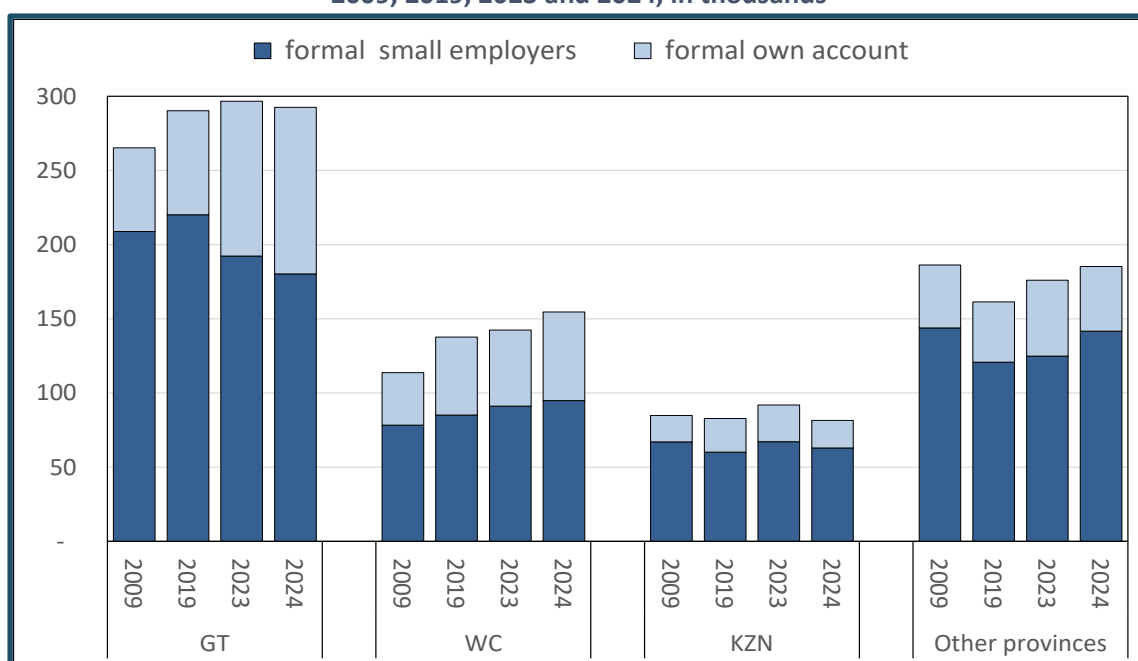


Source: Source: Calculated from Statistics South Africa. Labour Market Dynamics Survey for 2009, and Quarterly Labour Force Surveys for 2024. Electronic datasets. Datasets downloaded from Nesstar facility at www.statssa.gov.za.

Virtually all of the growth in small formal business since 2009 was in the Western Cape and Gauteng. From 2009 to 2019, the number in Gauteng climbed from 265 000 to 290 000. Since the pandemic downturn in 2020, however, there has been no significant increase. In the Western Cape, in contrast, growth in formal small business numbers accelerated from 2019. As a result, it stood at 155 000 in 2024, up from 115 000 in 2009.

In the remaining provinces, the number has remained virtually unchanged over the past 15 years. (Graph 23) Details on all of the provinces are provided in the accompanying data set.

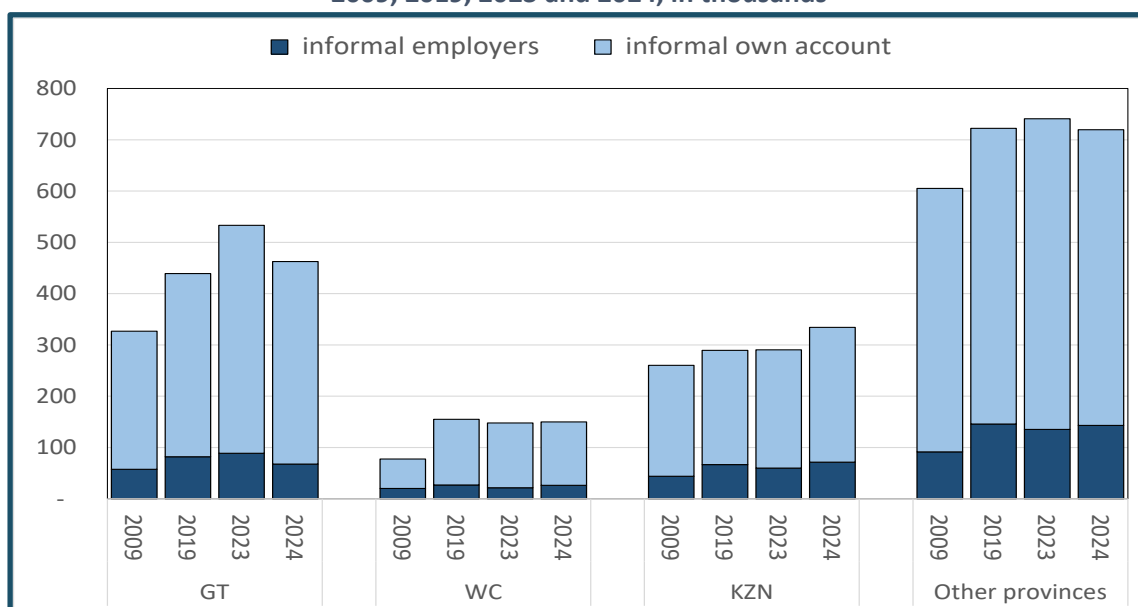
Graph 23. Formal employers and own account businesses by province, 2009, 2019, 2023 and 2024, in thousands



Source: Calculated from Statistics South Africa. Labour Market Dynamics Survey for 2009 and 2019, and Quarterly Labour Force Surveys for 2023 and 2024. Electronic datasets. Datasets downloaded from Nesstar facility at www.statssa.gov.za.

The number of informal business by province declined sharply in Gauteng in 2024, increased in KwaZulu-Natal, and was flat in most other provinces. (Graph 24) Details on each province are in the accompanying dataset.

Graph 24. Informal employers and own account businesses by province, 2009, 2019, 2023 and 2024, in thousands



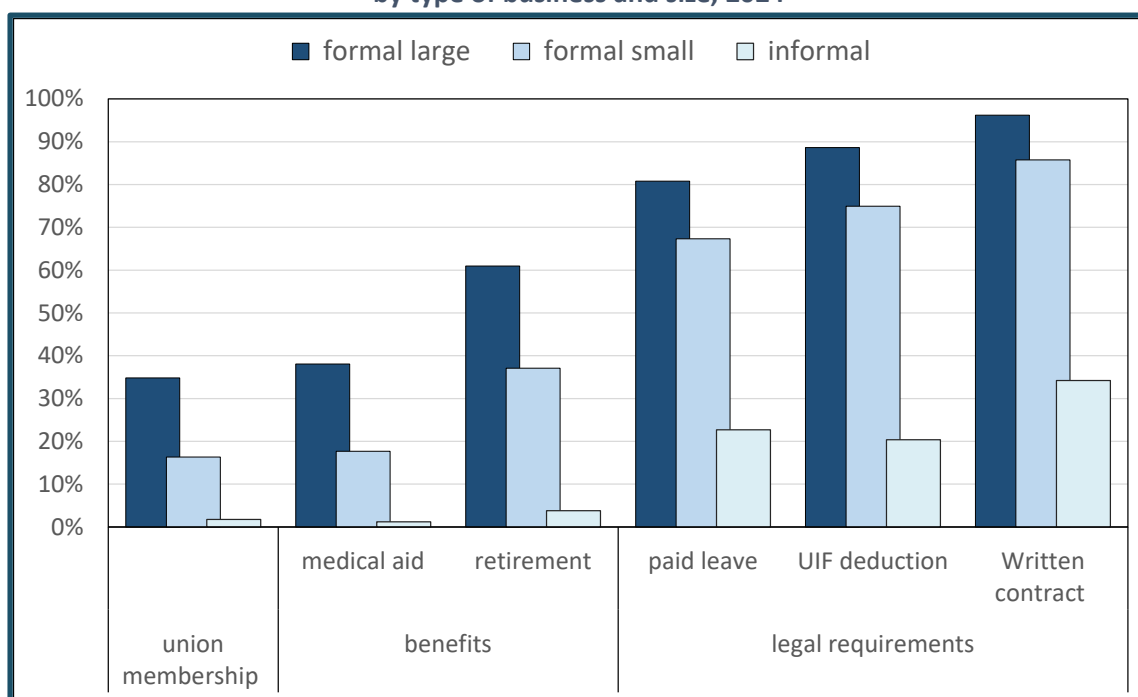
Source: Calculated from Statistics South Africa. Labour Market Dynamics Survey for 2009 and 2019, and Quarterly Labour Force Surveys for 2023 and 2024. Electronic datasets. Datasets downloaded from Nesstar facility at www.statssa.gov.za.

Worker conditions

Benefits and adherence to minimum labour standards were lower in small formal businesses than in large ones. Only around half as many waged workers were union members in small business as in large ones.

As Graph 25 shows, small formal businesses were much less likely than larger businesses to support their employees' retirement and medical aid membership. They also adhered somewhat less rigorously to requirements in the Basic Conditions of Employment Act such as providing written contracts and paid leave, although the gap was much less. The share of waged workers with union membership was around half as high in small formal business as in larger companies. In the informal sector, between 20% and 30% reported adherence to legal employment requirements, and under 5% got benefits. Only 2% of waged informal workers said they belonged to a union.

Graph 25. Union membership, benefits and adherence to legal employment requirements by type of business and size, 2024



Source: Calculated from Statistics South Africa. Quarterly Labour Force Surveys for 2024. Electronic datasets downloaded from Nesstar facility at www.statssa.gov.za.

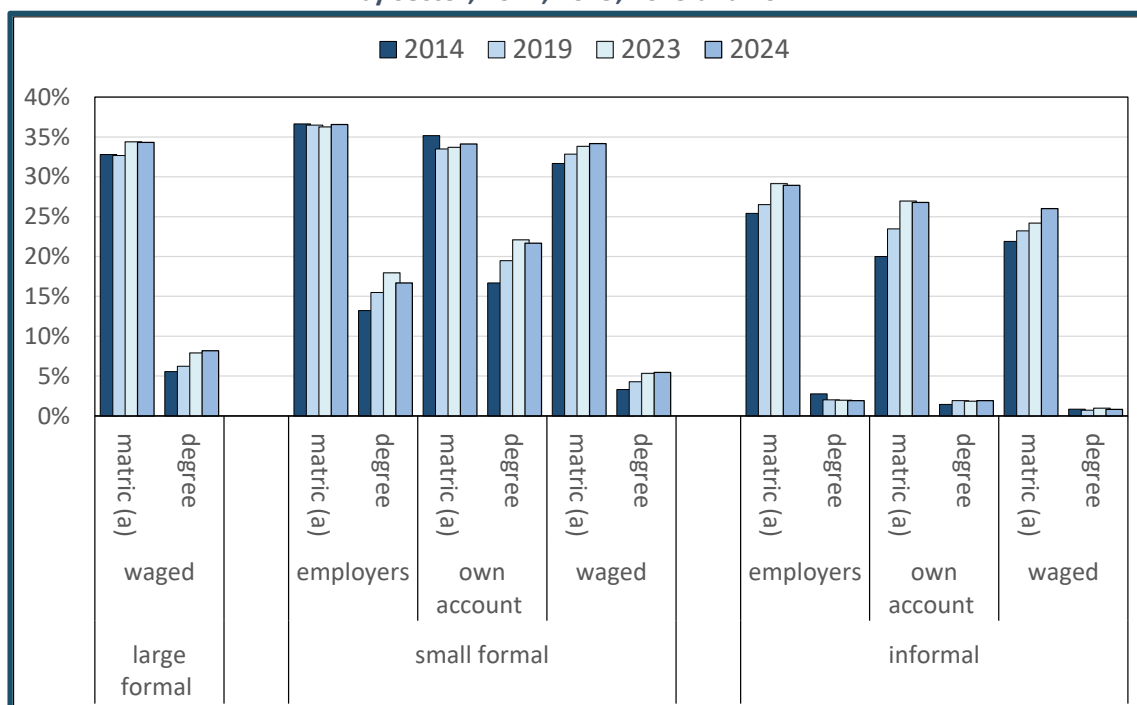
Education

Formal business owners have much higher levels of education than informal entrepreneurs and formal waged workers. Formal own-account business owners are particularly well educated, reflecting their role in the private-sector professions. Waged workers in small formal business have lower educational levels than those in larger employers.

High levels of education among formal business owners appeared in the unusually large share with university degrees. In 2024, 22% of formal own-account business owners had graduated university, up from 17% in 2009. For formal employers, the share had risen from 13% to 17%. In

contrast, only 5% of waged workers in small formal businesses had a degree in 2024. In large formal businesses, where most managers are employees rather than owners, 8% of waged workers had a degree.

Graph 26. Education of employers, own-account business owners and waged workers by sector, 2014, 2019, 2023 and 2024



Note: (a) Includes people with matric plus a diploma or certificate. Source: Calculated from Statistics South Africa. Labour Market Dynamics Survey for 2009 and 2019, and Quarterly Labour Force Surveys for 2023 and 2024. Electronic datasets. Datasets downloaded from Nesstar facility at www.statssa.gov.za.

Informal employers and waged workers had far lower qualifications than both employers and business owners in the formal sector. Only around 30% of informal business owners had at least matric, compared to around 55% of employers and own-account workers in the formal sector. Even waged workers in the formal sector had higher levels of education, with more than 40% having at least passed matric.

Infrastructure

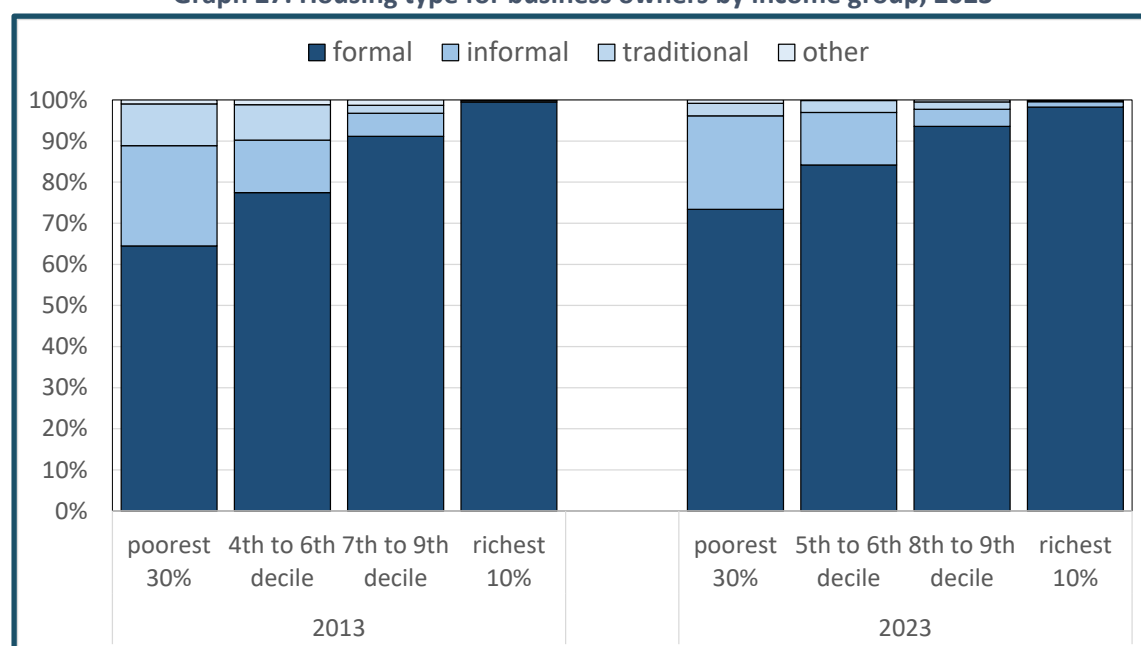
Formal small businesses face the same infrastructure challenges as larger companies, in particular around interruptions to electricity and water, as well as soaring electricity costs. For informal businesses, most of which operate from home, the challenges were steeper, both because municipal services were typically much worse in lower-income communities, and because they could not afford their own cars or electronics.

There is no survey of infrastructure in industrial or commercial sites, whether formal or informal. Information on housing infrastructure provides a proxy for informal businesses, as the majority of informal owners work at home. According to Statistics South Africa, 50% of informal businesses operated in their own homes in 2023, with 11% in someone else's home, 31% outside (at an open market, taxi rank or sidewalk), and only 5% in a non-residential building. There is no

equivalent data for small formal businesses, but it is likely that a much higher share operates from separate business premises.

In terms of formal housing, a quarter of business owners in the poorest 30% of households live in informal or traditional housing, down from a third a decade earlier. Most of the move was away from traditional housing, so the shift probably reflects rural-urban migration as much as upgrades. Virtually all business owners in the richest 30% live in formal homes. (Graph 27) Generally, for every income level, business owners are slightly more likely to live in formal housing than those without any business income.

Graph 27. Housing type for business owners by income group, 2023

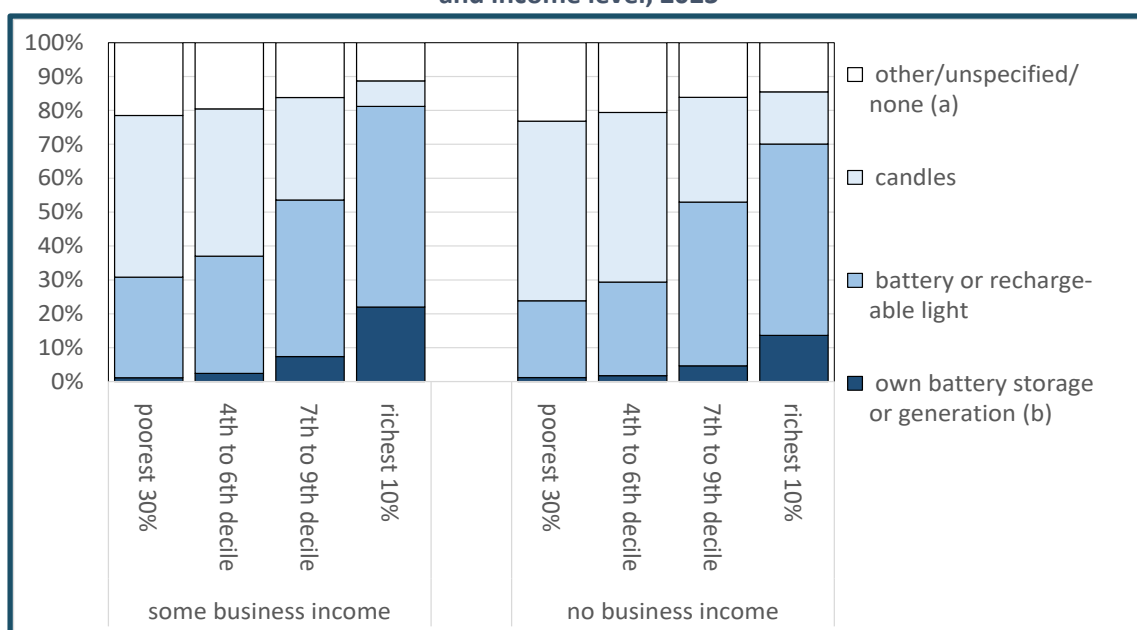


Source: Calculated from Statistics South Africa. General Household Survey. 2023. Electronic database. Downloaded from Nesstar facility at www.statssa.gov.za in November 2023.

For households with any business income, in 2023 use of grid electricity ranged from 85% for the poorest 30% to 97% for those in the richest 10%. Their experiences reflected the high levels of loadshedding in that year. Almost 80% of the poorest 90% of households experienced electricity interruptions at least four days a week; for the richest 10% of households, the figure fell to 75%.

At every income level, households with some business income were more likely to have some access to off-grid electricity, whether from battery storage or a generator. Still, less than 2% of business owners in the poorest 60% of households had off-grid electricity, although they were substantially more likely than households without business income to have battery-powered lights. Although solar in particular pays for itself in the longer run, most small business people did not have access to financing for the initial investment. In the richest decile, 22% of business owners had off-grid electricity at home, compared to 14% of those with no business income. (Graph 28)

Graph 28. Alternative source of electricity for lighting by business ownership and income level, 2023



Source: Calculated from Statistics South Africa. General Household Survey. 2023. Electronic database. Downloaded from Nesstar facility at www.statssa.gov.za in November 2023.

Soaring electricity tariffs were a burden on all businesses, both large and small. From 2020 to 2024, Eskom tariff increases averaged 7% above inflation, up from a 2% annual real increase in the five years to 2020. In 2024 Eskom's revenues climbed to 4% of the GDP, compared to under 2% in the early 2010s and below 3.5% before the pandemic.

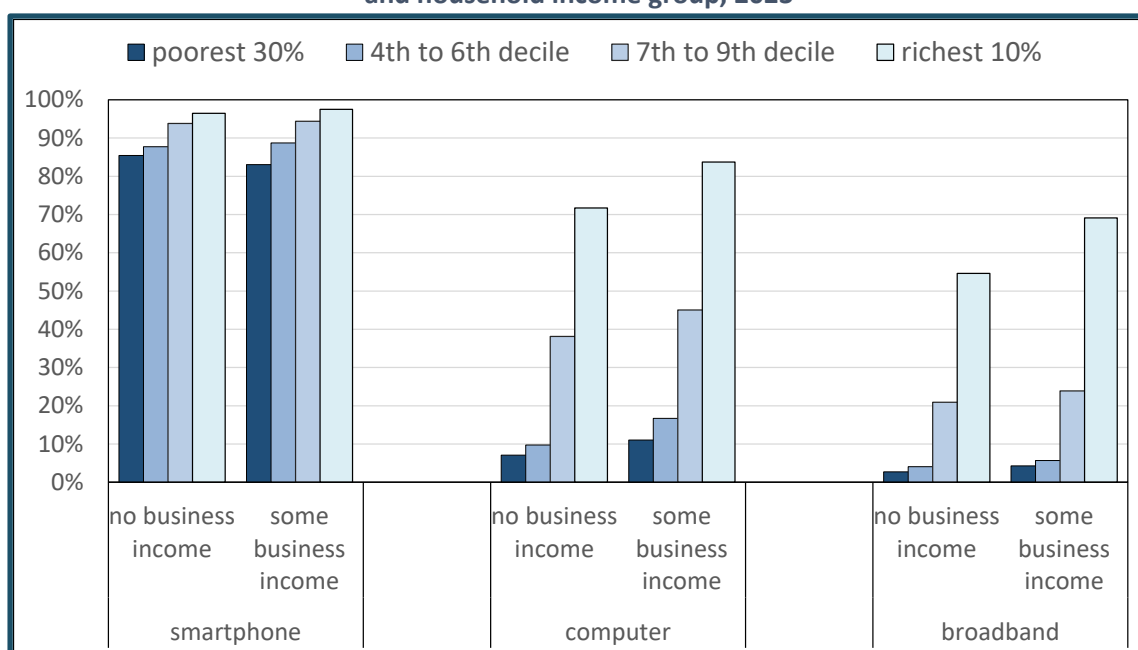
Like electricity, the availability and quality of water varied significantly by income level. A third of the poorest 60% of households with business income had water in their homes in 2023, and another third had a tap in the yard. In the seventh to ninth decile of households, two thirds had water in their homes, as did 90% in the richest decile.

The likelihood of interruptions to water was also inversely correlated with income. In 2023, of households with business income, 50% of those in the poorest 30% experienced interruptions, compared to 42% in the richest decile. Interruptions had increased from 2013 by around five percentage points at every income level.

Private infrastructure is far more unequally spread than public networks, reflecting the deep inequalities in primary income distribution and asset ownership. The impact emerges in digital services and car ownership.

The share of business owners in the poorest 60% of households with a computer or internet access was far lower than in the richest 10%. In 2023, 5% of business owners in the poorest 60% had internet at home and 14% had a computer, although 80% had a smartphone. In the richest decile, almost 70% of business owners had internet at home, 84% had a computer, and 98% had a smartphone. In every income group, business owners were more likely to have better digital infrastructure at home than other households. (Graph 29) Smartphones provide a route for payments, communications and internet access, but are less useful and efficient than a computer and broadband, especially for accounting and for storing information.

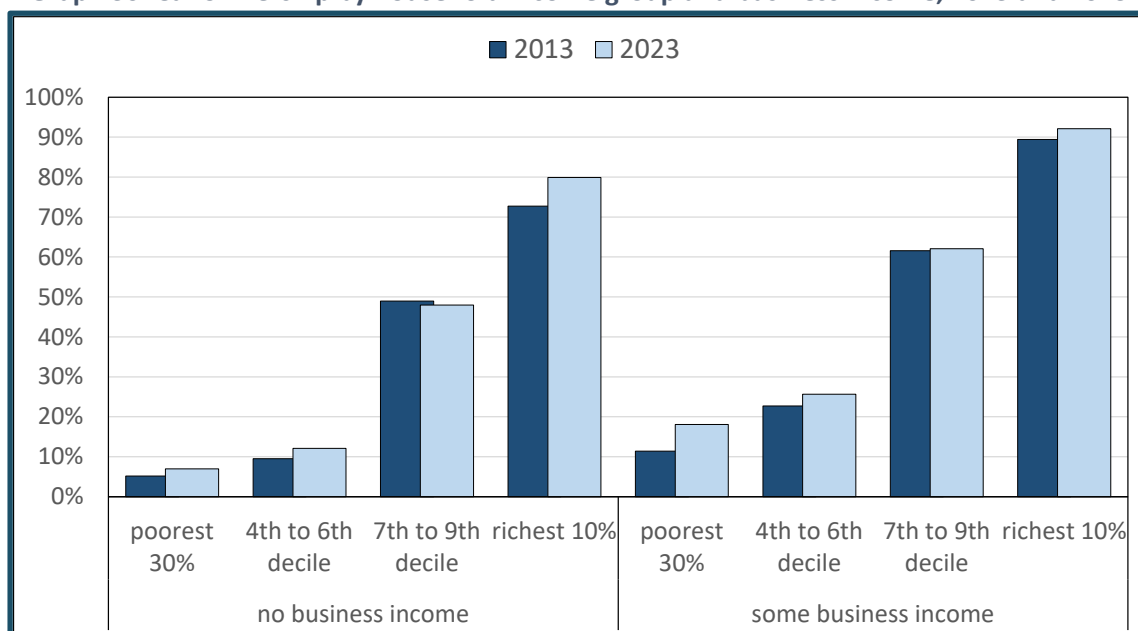
Graph 29. Computer, broadband and smartphone at home by business income and household income group, 2023



Source: Calculated from Statistics South Africa. General Household Survey. 2023. Electronic database. Downloaded from Nesstar facility at www.statssa.gov.za in November 2023.

Similar inequalities emerged in ownership of cars, although again business owners did better than others within income groups. In the poorest 60% of business owners, 22% owned a car in 2023, compared to under 10% for households with no business income. In the richest decile, 90% of business owners had a car, and 80% of other households. (Graph 30)

Graph 30. Car ownership by household income group and business income, 2013 and 2023



Source: Calculated from Statistics South Africa. General Household Survey. 2023. Electronic database. Downloaded from Nesstar facility at www.statssa.gov.za in November 2023.