

UNIVERSITY OF KWAZULU- NATAL

Policy considerations for the management of informal businesses in a fast growing city: A case study of Polokwane Municipality

By

Modjadji Melidah Malahlela

200200141

A thesis submitted in fulfilment of the requirements for the degree of Doctor of Administration

**School of Public Administration and Development Management
Faculty of Management Studies**

Supervisor: Professor D Sing

2010

DECLARATION

I, Modjadji Melidah Malahlela, declare that:

- (i) The research reported in this thesis, except where otherwise indicated, is my original research.
- (ii) This thesis has not been submitted for any degree or examination at any other university.
- (iii) This thesis does not contain another person's writing, unless specifically acknowledged as being sourced from other researchers. Where other written sources have been quoted, then:
 - a. their words have been rewritten but the general information attributed to them has been referenced;
 - b. where their exact words have been used, their writing has been placed inside quotation marks, and referenced.
- (iv) This thesis does not contain text, graphics or tables copied and pasted from the Internet, unless specifically acknowledged, and the source being detailed in the thesis and in the reference sections.

.....
Modjadji Melidah Malahlela

Student Number: 200200141

Date: 30 November 2010

ACKNOWLEDGEMENTS

I thank the Almighty God for giving me the strength, wisdom and perseverance to complete this study. Without His divine guidance I would have given up.

I would like to sincerely and deeply thank my supervisor, Professor D. Sing, for his guidance and support throughout the duration of the research. Not only has he been an academic mentor, but a source of inspiration for me. His professional and spiritual guidance throughout the journey has benefited me. It gave me strength even on days when I felt overwhelmed.

Special appreciation to Dr Israel, who patiently edited the report and guided me through the process.

To the officials in Polokwane Municipality and the City of Johannesburg, thank you for assisting with the various policy documents from your institutions.

To my entire family, my husband Tebogo and our lovely children, Mamothama, Makgwele, Makgohle and Ditshegofatso: your love, support and patience during the period of this work has been awesome. It has not been an easy journey, and without your support I would not have made it. I love you very much.

ABSTRACT

A county's level of development is measured by poverty, unemployment and inequality. Strategies and development plans must address these three elements. The informal sector is an important part of the economy, contributing to the social and economic development of countries.

Despite its importance, the management of the informal sector has not taken central place in most countries, probably because there is still the subconscious belief that the sector will disappear if sufficient levels of growth are reached. The sector is still being viewed as temporary and transitional. Research has however shown that the sector is permanent, and that there are those who enter the sector by choice (voluntary informal employment) and those who participate in the sector involuntarily. Despite the reason for participation, the sector should be taken seriously as it continues to grow and is permanent. As a result of the permanent nature of the informal sector, debates have moved from focusing only on informal enterprises to include the workers themselves, thereby giving birth to the notion of informal economy.

The most visible activity in the informal economy is street trading. Street trading is a source of livelihood for the majority of the urban poor, but if not properly managed, can be problematic. Actually, street trading is associated with various urban management problems such as crime, grime, dirtiness, and many other issues, in some instance badly affecting the ability of the formal sector to grow. Due to its direct effect on the formal economy and communities, as street traders use public space, the study focuses on the management of street vendors. The study argues that while it is true that street vendors are a contributing factor to most urban management challenges in urban areas, the main cause is lack of proper systems and processes designed to manage the sector. The study argues further that the problems associated with street vendors are a symptom of systematic problems in public institutions, especially municipalities that are mandated by the Constitution to manage street trading. It maintains that the majority of the problems associated with informal trading can be addressed by adopting relevant policies that would guide and delimit the actions and behaviours of both the public officials and the traders.

Such policies should, however, not equate management to regulation as has been the case. The policies should instead be developmental in nature, thereby recognising and acknowledging that street trading is an important component of the economy. This is not an easy task. The most fundamental challenge is the conflicting objectives between the street vendors and the authorities. While the street vendors focus on their right to trade, the local authorities focus on the right to enforce safety and health regulations. It is therefore important for municipalities to adopt a balanced approach to street trading as a phenomenon.

This fact is also exacerbated by local authorities' limited understanding of the size and the contribution of the informal sector generally, and street vendors in particular, to the economy. This results in the adoption of public policies, urban plans and other development plans that counter rather than support the informal economy.

Another critical finding that emerged from the study is that street vendors are generally not organised, and therefore have limited bargaining power. Due to this fact, they are unable to participate in the decision-making processes of the authorities even when decisions that affect them are taken. Even in instances where there are trader's associations, it has been indicated that they are weak and unable to assert any influence. On the local authority's side, the lack of proper traders' organisational structures makes it difficult for the municipalities to engage them and jointly develop strategies that will enable the sector to grow and become sustainable. It is therefore important that the authorities play a critical advocacy role with regard to the issue of association. Although various organisations such as SEWA, StreetNet or WIEGO are present, this is at local level, and hence their effect has not been felt.

Another element that has emerged is that street vendors are harassed and do not enjoy any benefits, even in areas where it is legal to engage in street trading. One contributing factor to this could be that the management of the sector is not properly institutionalised. The study argues that where proper institutional mechanisms are put in place, and roles clearly defined, the sector is better managed and supported. Singapore, for example, established a hawker's department to deal with issues of licensing, support, monitoring and personal hygiene. This approach enabled

Singapore to manage the sector better. Analysis of the policies of various municipalities in South Africa indicated a shift in this regard. The municipalities analysed acknowledge the fact that management of the sector requires a multidisciplinary approach, and have attempted to clearly define the institutional model for managing the sector. The question, however, would be if the state of street vending in some of the cities continues as it is, whether the lack of effectiveness of the policies is due to lack of resources and capacity to implement such policies or whether the policies are not appropriate for the environments which exist.

The conclusion arrived at indicates without any doubt that the informal economy is here to stay, and is a critical component of the economy. It is therefore important that like the formal economy that is regulated and protected, the informal economy, is managed in a way that can make it one of the levers to address poverty, unemployment and inequality. The study also concluded that the formal economy remains the backbone of the economy. As a result, the informal economy should not be regarded as a solution to the problems in the formal economy. Instead, the informal sector is complementary and supplementary to the formal economy. As a result, it is prudent to have proper policies and strategies that put the informal economy at the centre and not at the periphery of economic development. Indeed, such policies and strategies should not affect the formal economy negatively.

The recommendations provided in the study indicate that when developing a policy for managing street trading, such a policy should be developed taking into account the various policy-making stages. The municipality should also conduct a thorough environmental analysis in order to determine the external and internal factors that will affect the policy in order to develop an implementable and effective policy. The study concludes that issues such as infrastructure provision, safety, organisation, proper institutional model and capacity-building are critical intervention mechanisms that can enable the municipality to manage street vending effectively. Once these issues are addressed, the municipality will be able to manage street trading effectively.

TABLE OF CONTENTS

CHAPTER ONE.....	1
GENERAL INTRODUCTION AND STRUCTURE OF THE STUDY.....	1
1.1 INTRODUCTION.....	1
1.2 BACKGROUND.....	4
1.3 RATIONALE FOR THE STUDY	9
1.4 PROBLEM STATEMENT	10
1.5 OBJECTIVES OF THE STUDY	11
1.6 LIMITATIONS AND DELIMITATIONS OF THE STUDY	12
1.7 RESEARCH APPROACH.....	13
1.7.1 Literature Survey	14
1.7.2 Empirical Research	14
1.8 CLARIFICATION OF CONCEPTS.....	15
1.9 STRUCTURE OF THE STUDY	17
1.10 CONCLUSION.....	21
CHAPTER TWO.....	22
PUBLIC ADMINISTRATION AND THE TRANSFORMATION OF LOCAL GOVERNMENT IN SOUTH AFRICA.....	22
2.1 INTRODUCTION.....	22
2.2 PUBLIC ADMINISTRATION	23
2.2.1 Definition	24
2.2.2 Accountability.....	27
2.2.3 Historical Perspective	28
2.3 CONSTITUTIONAL MANDATE	39
2.4 TRANSFORMATION OF THE PUBLIC SERVICE IN SOUTH AFRICA 41	
2.5 LOCAL GOVERNMENT.....	42
2.5.1 Transformation of Local Government in South Africa	44
2.5.2 Developmental Local Government.....	50
2.6 INTEGRATED DEVELOPMENT PLANNING.....	52
2.7 LOCAL ECONOMIC DEVELOPMENT (LED)	54
2.8 CONCLUSION	57
CHAPTER THREE	60
POLICY DEVELOPMENT AND MANAGEMENT IN LOCAL GOVERNMENT	60
3.1 INTRODUCTION.....	60
3.2 DEFINITIONS	61
3.3 CATEGORIES OF PUBLIC POLICIES	65
3.3.1 Distributive, Redistributive, Self-regulatory and Regulatory Policies	66
3.3.2 Substantive and Procedural Policies	67
3.3.3 Material and Symbolic Policies	67
3.3.4 Policies Involving Public Goods or Private Goods.....	67

3.4	HIERARCHY OF POLICY STATEMENTS	68
3.4.1	Political Policy level/Political Party Policy	68
3.4.2	Political Implementation Policy/Government Policy	70
3.4.3	Administrative Executive Implementation Policy/Departmental Policy 71	
3.4.4	Operational Policy/Administrative Policy	71
3.5	FACTORS WHICH INFLUENCE POLICIES.....	73
3.5.1	External Factors	73
3.5.2	Internal Factors	75
3.6	POLICY-MAKING PROCESS	76
3.6.1	Agenda Setting.....	77
3.6.2	Policy Formulation.....	78
3.6.3	Policy Adoption	78
3.6.4	Policy Implementation	78
3.6.5	Policy Evaluation	79
3.7	PUBLIC PARTICIPATION IN POLICY-MAKING	80
3.8	IMPLICATIONS FOR THE MUNICIPALITY	81
3.9	CONCLUSION	83
	CHAPTER FOUR.....	84
	NATURE AND CHARACTERISTICS OF THE INFORMAL BUSINESS SECTOR..	84
4.1	INTRODUCTION.....	84
4.2	BACKGROUND.....	85
4.3	DEFINING THE CONCEPTS: INFORMAL SECTOR AND INFORMAL ECONOMY.....	88
4.4	LINKAGES BETWEEN THE FORMAL ECONOMY AND INFORMAL ECONOMY	93
4.5	REASONS FOR JOINING THE INFORMAL ECONOMY	99
4.6	CHARACTERISTICS AND NATURE OF THE INFORMAL ECONOMY 102	
4.7	CASE STUDIES	105
4.7.1	Latin America	105
4.7.2	Central and Eastern European Countries	106
4.7.3	Asia	106
4.7.4	Advanced Industrialized Countries.....	107
4.8	LESSONS FROM THE CASE STUDIES.....	108
4.9	FACTORS AFFECTING THE INFORMAL ECONOMY	109
4.9.1	Legal and Institutional Frameworks	109
4.9.2	Economic Growth	110
4.9.3	Economic Policies and Economic Climate	110
4.9.4	Poverty	111

4.9.5	Demographic Factors	112
4.10	POLICY IMPLICATIONS.....	112
4.10.1	Regulating the informal economy.....	113
4.10.2	Formalisation of the informal economy.....	113
4.10.3	Promoting informal businesses	114
4.10.4	Improving informal jobs	114
4.10.5	Recognising the voice of informal workers	114
4.10.6	Mainstreaming Governance	114
4.11	CONCLUSION	115
CHAPTER 5	118
INFORMAL ECONOMY: THE SOUTH AFRICAN CONTEXT	118
5.1	INTRODUCTION.....	118
5.2	NATURE AND CHARACTERISTICS OF THE INFORMAL ECONOMY IN SOUTH AFRICA.....	119
5.3	SIZE OF INFORMAL SECTOR IN SOUTH AFRICA AND ITS CONTRIBUTION TO GDP	125
5.4	LEGISLATIVE AND POLICY ENVIRONMENT.....	131
5.4.1	Pre-democracy legislations and policies	133
5.4.2	Post-1994 legislation and policy environment.....	135
5.5	LOCAL ECONOMIC DEVELOPMENT (LED)	140
5.6	POLICY IMPLICATIONS	142
5.7	CONCLUSION	145
CHAPTER 6	147
STREET VENDING: INTERNATIONAL AND NATIONAL CASE STUDIES	147
6.1	INTRODUCTION.....	147
6.2	DEFINING STREET VENDORS AND THE IMPORTANCE OF STREET VENDING.....	149
6.3	CHALLENGES OF STREET TRADING AND THE DILEMMA OF LOCAL AUTHORITIES	152
6.4	ORGANISING IN THE INFORMAL SECTOR.....	155
6.5	INTERNATIONAL CASE STUDIES	157
6.5.1	Street Vendors in Asia	158
6.5.2	Street Trading in Africa	164
6.5.3	Street Trading in Latin America	167
6.6	SOUTH AFRICAN CASE STUDIES	169
6.6.1	eThekweni Metropolitan Municipality	172
6.6.2	City of Johannesburg Metropolitan Municipality.....	180
6.6.3	City of Cape Town Metropolitan Municipality	187
6.6.4	City of Tshwane Metropolitan Municipality	192
6.7	LESSONS FROM THE CASE STUDIES.....	199
6.8	POLICY IMPLICATIONS FOR THE SECTOR	203

6.8.1	Urban policies and town planning	203
6.8.2	Women dominate street vending	204
6.8.3	Trading sites and structures for displaying goods.....	204
6.8.4	Commodities	205
6.8.5	Volume of sales and earnings	205
6.8.6	Access to markets and market relations.....	206
6.8.7	Business Development Services	206
6.8.8	Policies and Regulations (municipal laws)	207
6.8.9	Registration and Licensing	208
6.8.10	Associations of traders.....	208
6.8.11	Infrastructure and Service Provision.....	209
6.9	CONCLUSION	209
CHAPTER 7		212
POLOKWANE MUNICIPALITY’S ENVIRONMENT		212
7.1	INTRODUCTION.....	212
7.2	DEMOGRAPHICS AND SOCIO ECONOMIC PROFILE	213
7.3	ECONOMIC ANALYSIS.....	217
7.4	STATE OF THE INFORMAL BUSINESS SECTOR WITHIN POLOKWANE MUNICIPALITY	219
7.5	STATE OF STREET VENDING IN POLOKWANE MUNICIPALITY ..	225
7.6	POLICY AND LEGISLATIVE ENVIRONMENT.....	230
7.6.1	Polokwane Municipality Street Vending Policy	231
7.6.2	Institutional Arrangements.....	232
7.6.3	Projects implemented by the municipality to manage informal businesses.....	235
7.7	ADMINISTRATIVE AND MANAGEMENT ENVIRONMENT.....	246
7.8	POLOKWANE MUNICIPALITY STREET VENDING BY-LAW	248
7.9	COMPARISON OF VARIOUS MUNICIPALITIES’ INFORMAL TRADING POLICIES	249
7.10	CONCLUSION	251
CHAPTER EIGHT		252
RESEARCH METHODOLOGY		252
8.1	INTRODUCTION.....	252
8.2	RESEARCH PROBLEM AND PURPOSE.....	253
8.3	HYPOTHESIS	254
8.4	RESEARCH APPROACH.....	254
8.5	SAMPLING	257
8.5.1	Population and Sampling	257
8.5.2	Sampling Frame	258
8.5.3	Sample Size.....	258

8.5.4	Sampling techniques	259
8.6	RESEARCH TECHNIQUES	262
8.6.1	Data Collection	262
8.7	DATA ANALYSIS	269
8.7.1	Data coding	270
8.7.2	Analysing Data.....	272
8.8	CONCLUSION	273
CHAPTER 9	274
PRESENTATION AND ANALYSIS.....	274
9.1	INTRODUCTION.....	274
9.2	ANALYSIS OF THE FINDINGS	274
9.2.1	Business Operations.....	274
9.2.2	Socio-economic Profile.....	286
9.2.3	Relationship with the municipality	291
9.2.4	Organisation of street traders	296
9.3	CONCLUSION	300
CHAPTER 10	301
GENERAL CONCLUSIONS AND RECOMMENDATIONS.....	301
10.1	INTRODUCTION	301
10.2	CONCLUSIONS	301
10.3	GENERIC POLICY RECOMMENDATIONS.....	307
10.3.1	Problem Identification and Vision.....	308
10.3.2	Institutional Model.....	309
10.3.3	Relevance	309
10.3.4	Sustainability.....	309
10.3.5	Implications for other development interventions	309
10.4	STREET TRADING SPECIFIC RECOMMENDATIONS.....	310
10.4.1	Management is not equivalent to regulation.....	310
10.4.2	Safety and security	311
10.4.3	Training.....	311
10.4.4	Sector-specific interventions.....	311
10.4.5	Conflict Management.....	312
10.4.6	Balancing interests	312
10.4.7	Infrastructure Provision	312
10.4.8	By-law enforcement.....	312
10.4.9	Role Clarification.....	313
10.4.10	Gender sensitive policy.....	313

10.4.11	Street vendors to be organised	313
10.5	CONCLUSION	314
	BIBLIOGRAPHY	315
1.	PUBLISHED SOURCES	315
1.1	BOOKS	315
1.2	JOURNALS	326
1.3	REPORTS	327
1.4	PAPERS	331
1.5	DICTIONARIES	331
1.6	INTERNET SOURCES	332
1.7	GOVERNMENT REPORTS	334
1.8	MAGAZINES	335
2.	UNPUBLISHED SOURCES.....	336
2.1	NEWSPAPER ARTICLES	336
2.2	THESES	337
	ANNEXURE A: QUESTIONNAIRE	338

LIST OF TABLES

Table 2-1: A comparative analysis of the Classical and Neo-Classical Approaches.	36
Table 4-1: Old and new views about the informal economy	92
Table 4-2: Distinction between the formal and informal enterprises	104
Table 5-1: Analysis of the employment levels in the formal and informal sectors	129
Table 5-2: Comparison of employment by various economic sectors.	130
Table 6-1: Institutional arrangements for the management of the informal economy in EMM.	179
Table 6-2: Institutional arrangements for the management of informal trading in Joburg....	185
Table 6-3: Institutional arrangements for the management of informal trading in the City of Cape Town.	190
Table 6-4: Institutional arrangements for the management of informal trading in CoT.	197
Table 7-1: Demographics of Limpopo Province and Polokwane Municipality	214
Table 7-2: Spatial classification of Polokwane Municipality.....	215
Table 7-3: A breakdown of Polokwane Municipality's annual household income.	216
Table 7-4: Sector contributions to GGP.	217
Table 7-5: The distribution of SMMEs in the informal sector	219
Table 7-6: Principal Source of SMMEs Start-Up Capital	221
Table 7-7: Use of Business Profits by Sector Activities	222
Table 7-8: Current Constraints on Business	223
Table 7-9: Institutional Arrangements for the management of street vendors in Polokwane Municipality	233
Table 7-10: Comparison of various municipalities' policies for managing informal trading.	249
Table 8-1: Sampling techniques.	260
Table 8-2: Advantages and Disadvantages of questionnaires.	267
Table 9-1: Legal and ownership status of businesses.....	275
Table 9-2: Age analysis of businesses.....	277
Table 9-3: Comparison of number of employees for 2006 and 2007.....	279
Table 9-4: Dominant services/products sold by the traders	280
Table 9-5: Location of traders	282
Table 9-6: Possibility of changing locations	284
Table 9-7: Ownership status of the participants	286
Table 9-8: Traders age analysis.....	287
Table 9-9: Gender of participants.....	288
Table 9-10: Participant's educational level.....	290

Table 9-11: Relationship with the municipality	291
Table 9-12: Advantages of being located within Polokwane Municipality	293
Table 9-13: Organisation of traders.....	297
Table 9-14: The importance of being organised.....	297

LIST OF FIGURES

Figure 3-1: Hierarchy of policy statements	72
Figure 3-2: Policy making process	77
Figure 7-1 : Polokwane Municipality map.....	214
Figure 7-2: Dominant manufacturing subsectors in Polokwane.....	218
Figure 7-3: Motivation for choosing a trading spot.....	228
Figure 7-4: Factors considered when choosing a vending location.....	229
Figure 9-1: Legal and ownership status of businesses	275
Figure 9-2: Age analysis of businesses	277
Figure 9-3: Comparison of employment statistics for 2006 and 2007	279
Figure 9-4: Dominant services/products sold by the hawkers.....	280
Figure 9-5: Location of street traders	282
Figure 9-6: Possibility of changing locations	284
Figure 9-7: Ownership status of the participants.....	286
Figure 9-8: Age analysis of the street traders	288
Figure 9-9: Gender analysis of the participants.....	289
Figure 9-10: Educational levels of participants.....	290
Figure 9-11: Relationship with the municipality	292
Figure 9-12: Support required from the municipality	295
Figure 9-13: Organisation of traders	297
Figure 9-14: Importance of organisation as perceived by the street vendors	298

LIST OF PICTURES

Picture 7-1: Hawker stalls next to Limpopo Mall provided by the municipality	237
Picture 7-2: Cooking activities at the parking area of the Limpopo Mall	237
Picture 7-3: Equipments used by the cooking vendors at the Limpopo Mall parking area...	238
Picture 7-4: A storm water drainage system used to dispose of dirty water at the Limpopo Mall parking area.....	239
Picture 7-5: Street trading closer to the area earmarked for the African Market.....	241
Picture 7-6: Street trading outside the Mankweng shopping mall.....	242
Picture 7-7: Trading at the University of Limpopo Gate	243
Picture 7-8: The newly constructed Mankweng Hawkers Centre	244
Picture 7-9: Hawking activities at the hospital gate	245
Picture 7-10: An informal taxi rank at the hospital gate	245
Picture 9-1: Location of street traders	282

ABBREVIATIONS AND ACRONYMS

ANC	African National Congress
ASGISA	Accelerated and Shared Growth Initiative of South Africa
CBD	Central Business District
CID	City Improvement District
DBSA	Development Bank of Southern Africa
DGP	District Growth Point
EMM	eThekweni Metropolitan Municipality
GDP	Gross Domestic Product
GEAR	Growth, Employment and Redistribution
GGP	Gross Geographic Product
IDP	Integrated Development Programme
ICLS	International Conference of Labour Statisticians
IGF	Intergovernmental Forum
ILO	International Labour Organisation
ITC:	Informal Trade Chamber
ITMB	Informal Trade Management Board
ITSBO	Informal Trade and Small Business Opportunities Branch
JIPSA	Joint Initiative on Priority Skills Acquisition
JMPD	Johannesburg Metro Police Department
KPA	Key Performance Area
LED	Local Economic Development
LFS	Labour Force Survey
LGCC	Local Government Co-ordinating Committee
LGNF	Local Government Negotiating Forum
LSP	Local Service Point
MDB	Municipal Demarcation Board
MDG	Millennium Development Goals
MGP	Municipal Growth Point
MLL	Minimum Living Level
MOE	Municipal Owned Entities

MTC	Metropolitan Trading Company
NALEDI	National Labour and Economic Development Institute
NASVI	National Alliance of Street Vendors of India
PCP	Population Concentration Point
PGP	Provincial Growth Point
RDP	Reconstruction and Development Programme
RSA	Republic of South Africa
SALGA	South African Local Government Association
SANCO	South African National Civic Organisation
SBU	Strategic Business Units
SME	Small and Medium Enterprises
SMME	Small, Micro and Medium Enterprises
SEWA	Self Employed Women Association
SEWU	Self Employed Women Union
COT	City of Tshwane
UNDP	United Nations Development programme
UNIFEM	United Nations Development Fund for Women
WIEGO	Women in Informal Employment Globalizing and Organizing

CHAPTER ONE

GENERAL INTRODUCTION AND STRUCTURE OF THE STUDY

1.1 INTRODUCTION

The informal business sector has existed for many decades in different ways. This sector includes different activities, different employment relations as well as activities with different economic potential (Skinner, 2005: 5). However, past governments and economic policies have, to a large extent, discouraged the growth of this sector. This is because most governments did not view the informal economic activities as providing opportunities for economic development and job creation. Instead, the informal business sector was viewed as an unnecessary hindrance to the existence of the formal business sector (Bradley in Reddy, 1995: 116).

In South Africa, the apartheid policy was central to the formation and distortion of the informal economy (Skinner, 2003: 3). The apartheid policy did not only limit opportunities in the formal economy for black South Africans, but it also placed restrictions on the right of non-white entrepreneurs to establish, operate and engage in various business activities (Skinner, 2003: 3 and Valodia, Lebani & Skinner, 2005: 13). A series of legislation, restrictions and bureaucratic processes prevented black entrepreneurs from establishing businesses, while also restricting and limiting the types of goods that could be offered for sale (Lund & Skinner, 2003: 3). As a result, the growth of the informal business sector was stifled and this affected economic growth negatively.

Local government is mandated to promote development. As a result, the strategies, policies and programmes adopted by municipalities should at least address what Martinussen (1997: 299-300) refers to as political poverty and economic poverty. According to Martinussen, political poverty refers to lack of opportunities to influence and affect decision making within one's political system while economic poverty is

indicated by inadequate progress on social and economic improvement. Considering this assertion about economic and political poverty, one can conclude that when the majority of South Africans voted in the 1994 democratic elections, the elections were not only about political freedom. They were also about economic freedom, freedom from poverty, inequality and unemployment.

At this juncture, it is crucial to pose the following questions: To what extent have the post-1994 policies addressed (or are addressing) poverty, inequality and unemployment, which are the indicators of development? Has the level of poverty declined? Are more people with access to productive resources? Is the economy creating sufficient jobs to absorb both new entrants and those retrenched? Do the economic policies adopted support the informal business sector? If the answer to the majority of the questions is yes, then undoubtedly South Africans would have won both political and economic freedom. If the answer to the majority of the questions is no, then one can conclude that the battle for economic freedom is yet to be won, and therefore much has to be done to improve the situation.

It is often argued that although South Africa has seen some economic growth, this growth has not necessarily resulted in increased employment and decreased poverty levels. The United Nations Human Development Report on South Africa (1999) indicates that inequality as well as unemployment and poverty have increased. In fact, it has been argued that the majority of South Africans live in poverty and experience unemployment, while the minority live in affluence. The 2007 Millennium Development Goals mid-term country report on South Africa indicated that although there has been a rise in the income of the poorest, the income inequality had increased (UNDP, 2007: 5). The decision by the South African government to focus on the second economy (as per the provisions of the Accelerated and Shared Growth Initiative of South Africa) has thus become an important element in the government's action plan to combat poverty. It has been lately acknowledged, however, that reforms, strategies and interventions should focus on the needs of the poor and the marginalised so as to address economic poverty. This means that the South African government must adopt policies and programmes that will assist the poor to access productive assets such as land, infrastructure and financial services (South African Labour Bulletin, April 2004: 8). This fact is well captured by Deng. According to

Deng (1998: 103), it is critical for governments to create an environment that is conducive for individuals to undertake economic and social activities which enable them to improve their well-being.

The acknowledgement that the informal business sector has a role to play in economic growth dictates how its management should be approached. With the demise of apartheid, most areas, particularly urban areas, have observed a tremendous increase in informal businesses, particularly street vending. This fact has been highlighted in the informal trading policies of various metropolitan municipalities in South Africa. As will be indicated later in the study, an analysis of the informal trading policies of the various municipalities indicated a dramatic increase in the number of informal traders in recent years. This increase means that local authorities should have a clear plan for managing this sector or else could face serious urban management challenges, such as crime, grime, hygiene and cleanliness. The management approach to be adopted should, however, bear in mind that the informal business sector is a source of livelihood for the majority of the population and contributes positively towards the quality of life of its participants. When reviewing the various reasons for participating in informal sector activities, an important principle to consider is that:

“... the informal economy is here to stay and requires appropriate regulations, laws and policies to correct biases in the existing regulatory, legal, and policy environment that favour formal enterprises and workers to the disadvantage of informal workers and enterprises”(Chen, Jhabvala & Lund, 2002: iii).

According to Chen, Jhabvala & Lund, there is a need for local authorities to develop appropriate laws and policies in order to effectively manage the informal economy. The quote further notes the disparity between laws and policies used to manage the informal economy and those governing the formal economy. It therefore stresses the fact that any law, regulation or policy should ensure that the informal economy is governed in a just and fair manner, thereby enhancing social equity.

Street traders are the most visible of the participants in the informal sector. They include people trading in the streets, on the sides of major highways and around tourist centres. These traders are involved in some kind of self-employed activity,

making it a source of livelihood. Unfortunately, this sector is one of the most neglected sectors by government. Sometimes it is even subjected to harsh action from local authorities. On the other hand, street trading plays an important role in the country's economy and has potential to decrease income poverty if well managed and supported. It is a livelihood strategy and has potential to provide a "relief" for market failures. Being at the point of interface between the subsistence economy and the capital accumulation economy (Martinussen, 1997: 311), the informal sector enables the majority of the people to live a dignified life. If left unmanaged, though, it can lead to conflict between local authorities and formal business. This fact is supported by various documents. In the policy document entitled "Informal Trading Policy and Management Framework", the City of Cape Town maintains that unregulated growth of the informal sector affects the city negatively (City of Cape Town, 2003: 6). If left unmanaged, street trading could result in conflict between various stakeholders such as the old and new traders, formal businesses, pedestrians and even city officials.

To effectively manage this sector, authorities need to adopt appropriate regulations, laws and policies. This study looks at factors that should be considered in order to develop an effective policy for managing the informal business sector, particularly street traders/vendors at the local government level. It aims to provide recommendations for policy development for the management of street vendors.

1.2 BACKGROUND

Every economy is made up of two sides, the formal economy and the informal economy. As a result, in some countries the contribution of both the informal and the formal economies is considered in determining economic growth (Swinburn, Goga & Murphy, 2003: 3). There is also agreement that the two economic sectors (formal and informal) are integrally linked, with an exchange of goods and services occurring between them (Swinburn, Goga & Murphy, 2006: 3 and Skinner, 1996: 128).

While the formal economy is generally legalised and regulated by various legislative prescripts, the informal economy comprises informal business activities (enterprises). These enterprises are largely small, and undeveloped, without recognised business

premises, not legalised and not regulated (Bekker, 2004: 11 and Rogerson, 1997: 2-3). Their employment relations are also informal and generally not regulated by labour laws. Chen, Jhabvala & Lund (2002: 4) indicate the heterogeneous nature of the informal sector. According to them, the informal business sector can refer to street vendors, rickshaw pullers, garbage collectors or home-based electronic workers. Despite the various challenges, the informal businesses are part of the informal economy which constitutes a greater part of the second economy, and continues to grow in various places and in various forms.

In the months leading to South Africa's third democratic elections (in 2004), former President Thabo Mbeki spoke increasingly about the notion of two economies, the first and second economies that exist side by side (Skinner, 2006: 125). The second economy is mainly informal, marginalised and unskilled, and is populated by the unemployed and those unemployable in the formal sector (ANC Today, 2004 cited in Skinner, 2006: 125). The acknowledgement of the existence of the second economy as well as the need for government support for the second economy indicates an economic reform that has underpinned most government policies. This has led to the state developing measures to address the two economy notion, and hence the adoption of the Accelerated and Shared Growth Initiative for South Africa (ASGISA). Among other things, ASGISA focuses on what the state can and should do for people trapped in the informal economy. It further provides the principles for supporting individuals and businesses trapped in the second economy (ASGISA: 2006). This is mainly due to the acknowledgement of the importance of the informal sector in economic growth, poverty alleviation and job creation. For example, according to Swinburn, Goga & Murphy (2003: 3) the majority of low-income families in many cities work within the informal economy. Furthermore, a study¹ conducted by the National Labour and Economic Development Institute (NALEDI) found that there were approximately 2.7 million workers in the informal economy, which accounted for 22.5 percent of total employment (Bivens & Gammage in Avirgan, Bivens & Gammage, 2005: 8). According to a report by Valodia (2006: 1), informal employment (excluding subsistence agriculture and domestic work), grew from 965 000 to just over 2.3

¹ The study was conducted in the second half of 2003 and the first half of 2004 in South Africa by NALEDI, and was part of a world-wide comparative analysis of the informal economy in five countries, namely India, Egypt, El Salvador, South Africa and Russia.

million between 1997 and 2005. This indicates that the sector is growing, and continues to provide much needed jobs.

For a long time, the informal economy was thought of being a temporary phenomenon, largely concentrated in marginalised and poor areas, what Williams (2004: 225) refers to as the “marginality thesis”. In terms of this thesis, it was believed that the informal economy is only prevalent in poor communities. Despite this belief, studies conducted in various areas found that the informal economy is a permanent feature of our economies, in both affluent and deprived urban and rural areas. A study² by the City of Tshwane (2004) maintains that the informal sector is a characteristic of most South African cities. The study indicates that this sector is concentrated largely at transport interchanges where trains, taxis and buses assemble to drop off or pick up commuters. According to the City of Cape Town’s Informal Trading Policy and Management Framework (2003: 4), informal trading has become a feature of the urban environment in most South African cities. The policy further maintains that in Sub-Saharan Africa, the informal sector accounts up to 60 percent of the economy.

Of the various categories of the informal sector, the most prevalent and visible is street trading. This is also the sector that is associated with a series of urban management challenges in most urban areas. Street trading is acknowledged as a livelihood for the poor and marginalised, and therefore has to be supported. According to Van der Post (2007), a report by the International Labour Organisation (ILO) indicated that about 70 percent of all street traders in South Africa sell food and most of them are main breadwinners.

More importantly, it is now generally agreed that the informal economy is an important source of livelihood for the marginalised people. The sector contributes to job creation, and also assists in building social capital. Accordingly, Chen, Jhabvala & Lund (2002: 11) maintain that some people take up informal economic activities for sheer survival, while others do so in order to generate wealth and improve their social and economic situation.. This is the reason why in countries such as South

² The study was conducted by the Bureau of Market Research of the University of South Africa on behalf of the City of Tshwane in order to develop a policy for managing informal trading in Tshwane.

Africa, India and Malaysia, development of the informal business sector has taken centre stage of the development agenda. In South Africa, for example, various policies such as the Reconstruction and Redevelopment Programme (RDP), Accelerated and Shared Growth Initiative of South Africa (ASGISA), as well as the 1995 White Paper on the National Strategy for the Development and Promotion of Small Business in South Africa, attest to this fact. These policies position the development of the informal economy as one of the strategic interventions for addressing the challenge of poverty. Furthermore, a report by Swinburn, Goga and Murphy (2006: 3) indicates that in some countries, the contribution of both the formal and the informal economy is used to determine economic growth. The report further indicates that in some countries, the informal economy is greater than the formal economy. This indicates the important role of the informal economy in promoting development through job creation, poverty alleviation and income generation. This poses an opportunity as well as a serious challenge to municipalities as they have the responsibility of managing economic activities in their areas of jurisdiction, in a way that promotes both social and economic development. The critical issue for municipalities to consider is how to balance the need to support the informal economy while also protecting the interests of the formal businesses that contribute generously to the tax base of the municipalities.

Despite its importance, the informal economy is not always regarded as an important component of a country's economies. To this effect, in some countries such as Europe, policies were adopted to eradicate the informal economy, also referred to as the underground economy. This was to be achieved by adopting punitive measures that would discourage communities from participating in the informal economy (Williams, 2004: 1). In other countries, there have not been deliberate policies to eradicate the informal sector. The informal economy participants are, however, harassed by law enforcement agencies and receive little or no support from authorities. Furthermore, surveys done on street trading in South Africa noted some tensions between street traders and local government law agencies. According to an article published in the Mail and Guardian Online of the 16 April 2008, 94 percent of traders that were interviewed in a survey indicated that they had been harassed by police, while 82 percent indicated that they had had their goods confiscated.

Some countries, in contrast, have adopted a more proactive approach in dealing with some sectors of the informal economy. India, for example, has adopted a National Policy on Street Vendors. The policy recognises street vendors as an integral and legitimate component of the urban trading system (Chen et al, 2005: 99). Accordingly, the policy aims to create an economic environment that supports street vendors, while also addressing challenges related to street trading activities such as congestion and poor hygiene in public places. Kenya has acknowledged the importance of the informal economy in employment creation, and has incorporated the informal economy into the national economic planning. Support offered to the micro and small enterprises in Kenya includes credit, training as well as marketing services (Chen et al, 2005: 99). What this implies is that the informal economy is prevalent throughout the world, whether a country is developed or undeveloped. Being a permanent feature of the world economy, it is important that the sector is well managed, just as the formal sector is managed and regulated.

Like other spheres of government, South African municipalities are charged with the responsibility of promoting development within their areas. In addition to providing certain goods and services, municipalities are expected to create an environment that enables residents to engage in activities that improve their quality of life. According to Seers (1972, cited in Martinussen, 1997: 294), development in a country should be measured by the impact of interventions on poverty, unemployment and inequality. If all the three elements (poverty, unemployment and inequality) are less severe, then it indicates an improvement in the quality of life of the people, and hence development in the country concerned. This is because the purpose of development is to create an environment for people to enjoy long, healthy and creative lives (UNDP, 1999).

To this end, the Constitution of South Africa clearly stipulates the functional areas of the various spheres of government. In terms of this provision, municipalities are tasked with the function of managing street trading as per Schedule 5 Part B of the Constitution. In carrying out this function, municipalities are expected to strike a balance between the needs of the informal business sector and the expectations of the formal sector. The challenge facing municipalities is how to manage the informal business sector, considering the fact that the sector plays an important role in the economy of communities. Municipalities are expected to ensure that the operations of

the informal business sector, especially street trading, do not negatively affect the formal business operations. To be able to play this role, each municipality should develop and implement policies that enable it to effectively manage the informal sector. This is because a policy is effectively a management tool that an institution can use to regulate some type of behaviour (Greene, 2005: 273).

1.3 RATIONALE FOR THE STUDY

Public institutions are faced with a great challenge of ensuring proper governance, while at the same time managing development in their areas of jurisdiction. Hence they develop policies meant to promote both the social and economic well-being of the citizens. This means that all spheres of government are responsible for developing relevant policies, and also ensuring that such policies are aligned to the goal of economic development. This is very critical in South Africa at the moment, given that it is faced with ever-rising unemployment levels and low literacy levels (Davies & Thurlow, 2009: 2).

Until recently, economic policies were focused on the formal economy. This has however changed over time. Recent debates in South Africa indicate some policy shifts in the analysis of the economy. The South African economy is being described as a dual economy, one modern (formal) and the other traditional (informal). The traditional or informal economy is characterized by lack of access to finance and other infrastructure for accumulation. This realisation requires government across all spheres to adjust policies to take cognisance of this fact. It requires local authorities in particular, being at the coalface of service delivery, to play a significant role in promoting the informal sector, which is at the peripheral zone.

One of the most important considerations is that the informal sector cannot be “wished” away, but if unmanaged, it can create unpleasant situations. For instance, it can drive formal businesses from the cities, particularly Central Business Districts (CBDs) and thereby negatively affect the financial health of municipalities. It is on this basis that there is a need for local authorities to develop policies that will

effectively and efficiently manage the sector. As Swinburn, Goga & Murphy (2003: 30) argue, municipalities must align their regulatory processes and procedures in a way that supports the informal business sector in order to promote local economic development. This is one of the greatest challenges facing planners in fast growing cities.

This study focuses on Polokwane Municipality, one of the fastest growing municipalities in Limpopo Province. Being the economic centre and the capital of the province, the municipality attracts people from all over the Province in search of better job opportunities. Unfortunately, when their anticipated dreams are not realized, people resort to informal business, particularly street vending, as their livelihood strategy. The crucial role of the municipality is to balance the need for business retention and expansion of formal businesses, as well as supporting the informal business sector as a means to poverty eradication and job creation. This is because the Constitution mandates municipalities to promote both social and economic development.

This study looks at the crucial issues that should be considered when a policy for managing street traders (which is the most visible sector of the informal sector) is developed. This is because a policy is a management tool that can assist an institution to address any societal problem effectively.

1.4 PROBLEM STATEMENT

One of the critical and primary functions of public administrators is the development and implementation of policies. Policies are implemented in order to solve certain societal problems. Without relevant policies, public institutions might not be able to change the quality of lives of their communities. One of the challenges facing public institutions, particularly municipalities, is managing the increasing number of street traders. This study argues that municipalities can only manage street trading if they have relevant policies. In trying to understand the state of street vending in

Polokwane, as well as to be able to make meaningful policy recommendations to the municipality, the study aims to answer the following questions:

- What is the state of street vending in Polokwane Municipality, particularly within the CBD?
- What is the current policy environment in Polokwane Municipality as it pertains to the management of the street vendors?
- How does this policy/legislative environment affect the growth of the informal sector?
- What programmes are currently under implementation or being planned for the management of the informal business sector?
- What regulatory framework is necessary to ensure a harmonious relationship between both the formal and informal business sectors?
- Which issues should the local authority consider to regulate and support the informal business sector, particularly street vendors?
- What programmes should the local authority put in place to support both the survivalist as well as the viable micro-enterprises?

These are key questions which will lead this study into examining crucial social and economic development issues pertaining to street trading in the Polokwane Municipality. To provide the necessary recommendations, the study analysed the state of street trading in Polokwane with the intention of making proposals for policy development for managing the informal business sector.

1.5 OBJECTIVES OF THE STUDY

The aim of the research was to determine key issues that should be considered in order to develop a policy that can assist local authorities to manage informal trading effectively and efficiently. The objectives were to:

- Identify regulatory mechanisms necessary to manage the street vending sector.
- Identify policy interventions required from the municipality to manage the sector in such a way that does not hamper entrepreneurship.

- Identify ways in which the municipality can manage the street trading in a way that does not suffocate it, yet not negatively affect the operations of the other role-players in the economy, particularly the formal sector.
- Determine the support needed by street traders to perform better and contribute to the economy of the city.
- Identify policy considerations and principles to support street traders in a way that can turn them from being survivalist enterprises to become viable micro-enterprises.

1.6 LIMITATIONS AND DELIMITATIONS OF THE STUDY

Informal business sector comprises many fields of activities such as informal transport (taxi industry), informal banking, lending and credit sectors (stokvels), informal trading (street trading and spaza shops), as well as informal service sector which might comprise home industry, back street production and moonlighting services (Bradley in Reddy, 1995: 115). The current study focuses only on street trading, which is the most visible sector in cities. This sector also has a more direct effect on formal businesses. The study analyses the state of street trading within Polokwane's jurisdiction, with the intention of making recommendations for policy development.

Data gathering was focussed on street trading as this is the sector which is of main interest in the study. Data gathering was limited to two areas, namely, Polokwane City CBD and Mankweng Township CBD. Polokwane City is the core and the economic centre for the entire Limpopo Province, and has further been identified as a Provincial Growth Point (PGP) in terms of the Limpopo Provincial Spatial Rationale. Because of its status, it is attracting many people in search of better economic opportunities. While other people (migrants) are absorbed by the formal economy, a high percentage is not absorbed and therefore participates in the informal economy for survival.

Mankweng in contrast, is a township approximately 32 kilometres from the city. It is one of the fastest growing areas in the municipality, and has been identified as a District Growth Point (Polokwane Municipality's IDP, 2006/11). Due to the

availability of various services and social amenities, as well as the growing economic base because of the existence of the University of Limpopo, the provincial referral hospital, a shopping complex, the Zion Christian Church, Mankweng is experiencing an influx of people from the surrounding villages in search of better opportunities. The township's CBD is characterised by a high percentage of informal businesses, in particular those that can be classified as survivalist.

Looking at Polokwane City and one of the administrative clusters, it was felt, would give a good picture of what is happening in terms of business dynamics in the municipality. The survey was therefore limited to the Polokwane CBD and the Mankweng CBD.

The following limitations exist:

- Unwillingness to participate by some respondents in the survey depending on their relationship with the municipality.
- Respondents might not truthfully answer the questions, particularly questions related to income and relations with municipalities.
- Samples might not be fully representative of the whole due to the non-probability sampling method used.

1.7 RESEARCH APPROACH

This research project can be categorized as qualitative field research, and the case study method is used. A qualitative approach was taken throughout. The non-probability sampling method was chosen to identify the sample. This technique was selected since the municipality does not have a database of street traders, thereby making it difficult to use the probability sampling technique.

Data were collected from a sample that represents the population, and later converted to numerical indices. Furthermore, verbal interviews, questionnaires and photographs were collected and analysed to get a better understanding of the sector. Although not a frequently used method, photographs were used to indicate the extent of street vending and to show the kind of merchandise people sell. The pictures give a good

description of what takes place in the streets of Polokwane. To collect data, both theoretical (literature survey) as well as empirical perspectives (questionnaires and interviews) were used to get the required information. Literature comprising books, reports, legislations as well as policies, was studied and analysed to fully understand the research problem.

This was followed by a data gathering survey using questionnaires. These were used to determine the predominant sectors as well as to understand operating circumstances in relation to characteristics and problems of the sectors.

1.7.1 Literature Survey

Primary and secondary sources were examined. Literature comprising of books, articles, journals, legislations as well as policies was studied and analysed to fully understand the research problem.

1.7.2 Empirical Research

Verbal interviews, questionnaires and photographs were collected and analysed to gain a better understanding of the sector. Although not frequently used, photographs were considered a useful means to indicate the extent of street vending and to show the kind of merchandise people sell. The pictures give a good description of what takes place in the streets of Polokwane CBD and Mankweng CBD.

This was followed by a data gathering survey using questionnaires. The questionnaires were used to determine the predominant sectors as well as to understand operating circumstances in relation to characteristics and problems of the sectors. Data were collected from a sample that represents the population, and later converted to numerical indices. The questionnaires were supplemented with interviews (although minimally used), with both closed and open-ended questions to gather additional information.

Upon collection, the data were analysed and a report prepared indicating the narrative matrixes as well as graphs, to highlight the findings as well as the recommendations of the study.

1.8 CLARIFICATION OF CONCEPTS

Constitution: Unless otherwise indicated, Constitution refers to the Constitution of the Republic of South Africa, Act 108 of 1996.

Formal Business: A business registered in terms of the Companies Act 1979 of South Africa.

Formal economy: Business activities that are fully registered and comply with a set of regulations prescribed by authorities.

Informal Business: A business that is not registered in terms of the Companies Act.

Informal Business sector: That sector of the economy comprised of informal activities or activities not registered by authorities.

Informal economy: Business enterprises not registered as well as the workers participating in such informal business activities.

Informal Trading: Economic activity undertaken by entrepreneurs who sell legal goods and services within a space deemed to be public property, within the informal sector.

Integrated Development Plan: A plan developed by municipalities in line with the provisions of Section 25 of the Local Government: Municipal Systems Act and the White Paper on Local Government.

Local government: The sphere of government established as per Section 151 of the Constitution of the Republic of South Africa.

Management: A process of controlling, regulating or influencing resources under one's control.

Organising: Grouping street vendors into an association or union that will bargain and negotiate on their behalf.

Policy: A statement of intent, generally indicating what the government will do or not do to delimit action.

Public Administration: An academic discipline taught at tertiary institutions focussing on activities, functions and administrative processes of public institutions.

Public administration: An activity by government that is used as a means for attaining its purpose and goals. It refers to the actual rendering of public services.

Public institution: Any institution established by government to render goods or services to members of the public.

Second economy: The sector of the community that was previously disadvantaged and is still struggling with access to productive resources to satisfy both the social and economic needs.

Small business: A business with less than 50 employees as per the classification of the 1995 National Strategy for the Development and Promotion of SMME in South Africa.

Shebeen: An establishment (licensed or unlicensed) or private household selling alcoholic liquor.

Spaza shop: A small shop originally operating informally in townships, often based in private houses.

Street Vendor/hawker/street trader: A person carrying out business on the streets or any public place.

1.9 STRUCTURE OF THE STUDY

The study is divided into ten chapters, structured as follows:

Chapter 1: Introduction and Background of the Study

This chapter introduces the study and provides a background to the study. It explains the problem statement, states what the research problem is, and indicates the limitations as well as the research methodology used.

Chapter 2: Public Administration and Transformation of Local Government

Chapter 2 provides the framework for public administration and how local government in South Africa was transformed following the 1994 democratic elections. The chapter looks at the evolution of Public Administration and how the evolution has affected the current structure and operations of the public institutions. It further focuses on the constitutional mandate; various legislation and policies adopted, as well as government's programmes to operationalise the constitutional, legislative and policy provisions.

For example, Section 152 of the Constitution mandates local government to promote both social and economic development. To give effect to this constitutional mandate, the White Paper on Local Government brings to the fore the notion of developmental local government. These provisions dictate a certain *modus operandi* for municipalities across the country. It dictates that in all its activities, local government must always strive to improve the quality of life of its citizenry, hence the concept of developmental local government. The fact that the municipalities are mandated to facilitate economic development within their area of jurisdiction means that unlike in the past, they have a more active role to play to ensure that municipalities create economic opportunities for all its residents, especially those who were disadvantaged

in the previous regime. The chapter further shows how local government in South Africa has evolved from the 18th century to date.

The chapter also introduces various principles of Public Administration, particularly within the South African context. These principles provide a parameter for how public institutions should carry out their activities.

Chapter 3: Policy Development and Management in the municipal environment

One of the main activities that public institutions perform is the development and implementation of policies. These policies provide a framework for what will be done by such institutions, and how it will be done. This chapter focuses on the policy development process as well as the policy cycle. It provides a framework for the policy cycle as well as the factors that affect policies. This analysis is an important component in developing recommendations for policy for the management of informal business sector.

Chapter 4: Nature and characteristics of the informal business sector

This chapter reviews literature on informal business sector management with an analysis of both international and the South African experiences.

In this chapter an analysis is made starting with the definition of the term ‘informal sector’ and how it manifests itself. The chapter also focuses on the relationship between informal business activity and the spatial structure. It also looks at the effect of the regulatory and administrative environment on the growth of the sector. Linkages between the formal and informal sectors as well as the characteristics of the informal sector are analysed in the chapter.

In this chapter, international case studies are analysed, and inferences and similarities between the various studies and lessons identified from the case studies are drawn.

Chapter 5: Informal economy - The South African context

This chapter provides an analysis of the informal business sector in South Africa. It shows how the management of the sector has evolved from the apartheid era, to the changes brought as a result of the various legislation and policies such as the 1991 Business Act, Reconstruction and Development Programme (1994) and the 1995 White Paper on the National Strategy for the development and promotion of small business in South Africa

Chapter 6: Street vending - Case Studies

Municipalities across the world are faced with the challenges of managing informal trading. To deal with this challenge, most have developed policies that assist in managing the sector.

International case studies are analysed in this chapter with a view to determining the state, challenges and solutions implemented by various countries and cities to manage street trading.

On the local front, the chapter assesses the policies of various municipalities such as eThekweni, the City of Cape Town, City of Johannesburg and the City of Tshwane, to determine how they have approached informal trading management. The policies are compared and the experiences of the municipalities are analysed in order to provide a better understanding of the sector and offer relevant recommendations for policy propositions.

Chapter 7: Polokwane Municipality's environment

In this chapter, the situation of Polokwane Municipality is analysed with specific reference to its socio-economic profile, policy and legislative environment relevant to the informal business management. It further analyses Polokwane's situation in relation to the Limpopo Province and the Capricorn District Municipality. The

institutional model for managing the sector within the municipality is analysed and recommendations provided.

Furthermore, various programmes and projects are studied to determine the rationale, and probable impact such interventions could have on the management of street trading within the municipality. Pictures indicating the extent of informal trading (particularly street vending) are also included, to portray a pictorial view of what is happening within the municipality.

Chapter 8: Research Methodology

The chapter provides a report on the research methodology used to gather, analyse and present the data.

Chapter 9: Presentation and Analysis

In this chapter, the findings of the study are presented and analysed, and inferences made. The responses from the respondents are analysed, and presented in various ways by means of charts and tables to portray a clear picture of the following:

- Socioeconomic profile of the street vendors focusing on factors such as gender, age profile and educational level;
- Disaggregation of the sectors to determine predominant sectors;
- Most preferred locations for vending and the reasons thereof;
- Factors inhibiting the growth of the sector;
- Municipal intervention(s) that positively contribute towards the development of the sector;
- Programmes as suggested by the participants that will enhance growth of the sector.

Chapter 10: Conclusion and Recommendations

This chapter provides recommendations for policy considerations for the management and support of the informal sector.

The recommendations are provided on the following basis:

- **Policy Development:** These are the various factors and principles that should be considered when a policy is developed. They are important in that they will enable the municipality to develop an effective and “implementable” policy in addressing the challenge posed by management of street vendors.
- **Polokwane-specific recommendations:** These are recommendations emanating from the findings of the study as per the recommendations from the participants and general observations from the research.

1.10 CONCLUSION

This chapter has introduced the research subject, providing a background for the research as well as the scope of the study. In addition, it has provided an overview and structure for the whole study, raising pertinent issues to be determined in detail.

The next chapter explores the concept of public administration, and focuses on the attempts by the South African democratic government to transform local government to make it more developmental in line with the provisions of the South African Constitution.

CHAPTER TWO

PUBLIC ADMINISTRATION AND THE TRANSFORMATION OF LOCAL GOVERNMENT IN SOUTH AFRICA

2.1 INTRODUCTION

Public institutions have been created (by people) to ensure the optimal cumulative good for all. They therefore exist to meet society's needs, and this implies that they are accountable to the society they serve. The quality of life for millions of people within a state depends on the skill, efficiency and dedication of the structures established to administer the various sections. This is because, as Chandler & Plano (1988: 4) maintain, when life becomes more complex, so do the operations of governments as they seek to cope with and manage different challenges. It is on this basis that Public Administration has become an important discipline to equip public officials with skills that will assist them in the efficient and effective running and management of public institutions.

All the activities performed by public institutions have given birth to the notion of public administration, which has evolved over time. This chapter reviews the evolution of Public Administration as an academic discipline, with the intention of assessing how the current form and structure of public administration has been influenced by the various phases. This understanding is crucial as it will provide a framework for the research problem which focuses on one of the functions of public institutions, namely, public policy process.

South Africa has gone a long way in developing a framework for the administration of its public institutions. This has led to the adoption of the now famous Batho Pele principles. This chapter will provide a synopsis of the efforts undertaken by the South African government in ensuring that its public service is transformed in order to better serve the people of this country.

The chapter further explores how local government in South Africa has evolved since the apartheid regime to date, with the adoption of the Constitution and other policy documents. The notion of developmental local government as encapsulated in the White Paper on Local Government (1998) is analysed. Linked to this is the role that municipalities should play in promoting local economic development as per Section 152(1) (c) of the Constitution through integrated development planning and other strategies. Attempts are made to link the research problem with Public Administration as a scientific discipline, thereby putting in place fundamental principles for addressing any societal problem like street vending.

2.2 PUBLIC ADMINISTRATION

The driving force behind the establishment of a science on administration has been the need to make public sector institutions more efficient and effective. From the time of Woodrow Wilson, to the era of Frederick Taylor, Luther Gulick, Elton Mayo Dwight Waldo and others, the common objective has been to achieve greater efficiency and effectiveness in public institutions. This is because every nation prides itself with its people, and as a result, development initiatives should create an environment wherein the people can live healthy and productive lives (UNDP Human Development Report, 1999). It is as a result of this that one of the Millennium Development Goals (MDGs) is to eradicate extreme poverty and hunger that is prevalent in the world (Rao, 2004: 86). According to Rao (2004: 7), in sub-Saharan Africa the number of people living in extreme poverty increased from 242 million in 1990 to 300 million in 1999, and constituted nearly half the total population, the highest ratio of all regions. It is against this background that any initiative or activity by government should aim at making the life of the citizens better. This should be done by adopting measures to fight poverty, the greatest enemy to the well-being of people around the world. To address this developmental challenge, governments develop rules, laws and regulations in order to meet the developmental imperatives of communities.

In his state of the nation address on February 08 2002, the then President of the Republic of South Africa, Thabo Mbeki, stressed the fact that the struggle to eradicate poverty in South Africa is fundamental to the national goal to build a caring and people-centred society (State of the Nation Address, 2002). What is evident from this statement is that like any other country, the South African government has a national goal, which is to build a people-centred society. The attainment of this goal is, however, dependent on the efficiency and efficacy of the public institutions. This is because public institutions are responsible for the development and implementation of policies, which policies are expressed in laws, regulations as well as the rules. Any activity taken by the government will therefore take it closer or further away from its goal and objectives. The section below looks at the definition of public administration (as an activity) as well as the evolution of Public Administration as an academic discipline.

2.2.1 Definition

Public administration (as an activity) can be defined in many ways. According to the South African Concise Oxford Dictionary, the word public is defined as the community or ordinary people, while administration is defined as the organisation and running of a business system. The International Dictionary of Management defines administration as an area of management concerned with the interpretation and translation of policy into effective executive actions. According to Cloete (1995: 61), administration refers to the collection of functions or activities performed by officials in a public institution such as a state department or the head of a university to reach the objectives for which the institution was created. One can then say that as an activity, public administration is concerned with how the affairs of ordinary people are run by those in power.

Rosenbloom (1993: 4) defines public administration as the action part of government that enables such a government to attain its purpose and goals. Cloete (1998: 88) simply defines public administration as the various activities performed in order to create and run public institutions. Fox & Meyer (1995: 105) define it as the layer of government that is responsible for formulating, implementing, evaluating and

modifying government policy. This view is supported by Coetzee (1988: 18), who maintains that public administration entails policy formulation and execution.

Du Toit & van der Waldt (1999: 46) indicate that public administration provides a framework and infrastructure in terms of which government institutions can operate. They argue that through the activities of public administration, an environment is created in which the executive institutions are enabled to implement the policies of government. When one considers the various definitions, it is clear that the cornerstone of government actions is the development of policies to address certain societal needs. The policy dictates the programmes, projects and even resource allocation in any institutions.

According to Batley (in Devas and Rakodi, 1993: 176), public administration is a political act, most obviously because it involves governmental discretion in the distribution of resources. This implies that government should have more than a regulatory role and be involved also in the promotion of development. Public administrators are required to transform, rather than simply maintain, the status quo in the various public institutions.

Chandler & Plano (1988: 3) maintain that public administration is concerned primarily with enforcing laws and rules and carrying out public policy. Public administration could therefore be defined as a process by which public resources and personnel are organised and coordinated to formulate, implement, and manage public policy decisions (Chandler & Plano, 1988: 29). In terms of this definition there should be an objective and activities that are undertaken to ensure that the objective is attained. All these are underpinned by the adopted policies, which guide government actions.

Considering the plethora of definitions of public administration, Rosenbloom (1993: 5) concludes by saying that public administration involves activity, politics and policy-making by the executive branch of government. This process entails interpreting policy and developing a set of actions (in the form of programmes and projects) in order to ensure that the objectives of the policy are attained. This

assertion is supported by Coetzee (1988: 18), who maintains that public administration is concerned with the “marshalling of human and material resources” so that the objectives of public policy are attained. To this effect, Rosenbloom (1993: 6) provides the following definition of public administration that is all encompassing of the various activities and functions of public institutions:

“Public administration is the use of managerial, political, and legal theories and processes to fulfil legislative, executive, and judicial governmental mandates for the provision of regulatory and service functions for the society as a whole or for some segments of it” (Rosenbloom 1993: 6).

As an academic discipline, Public Administration should therefore aim at improving problem solving in the areas of organisation, personnel and finance as they relate to public institutions.

Taking into account all the definitions, the following can be said about public administration:

- It provides a framework and infrastructure in terms of which government institutions can operate.
- It involves governmental discretion in the distribution of resources.
- In public administration there should be an objective and activities that are undertaken to ensure that the objective is attained.
- Public administration aims to change the quality of life of people for the better through solving various societal problems.
- The main function of public administrators is to formulate, implement, evaluate and modify government policy.

The ultimate goal of public administration is therefore to develop sound techniques and procedures that would enable institutions to combine efficiency of operations with democratic responsibility and accountability (Chandler & Plano, 1988: 4). Overall, public administration is a human activity (in other words, an activity for people by people) that is mainly concerned with the management of critical resources, financial, natural and human resource (Botes et al, 1992: 257). Using the South

African situation as a reference point, this activity would take place across all the three spheres of government, namely the national, provincial and local government.

2.2.2 Accountability

Public institutions exist to render services to their populace with the aim of improving their quality of life. This makes accountability a key issue in public administration. Accountability refers to the duty to answer and report to a higher authority, functionary or institution (in a democracy the highest authority is the people), about the results obtained in the performance of one or more specific functions (Cloete, 1995: 3). According to Sallis (1982, cited by Botha in Hanekom, Rowland & Bain, 1995: 177), public accountability means that those exercising power should continuously submit their actions to public scrutiny and approval. This implies that since public institutions are established to govern the affairs of the public (tax payers); it is critical that the institutions must report back to the public to indicate how the mandate given to them has been carried out. Accordingly, Sallis (1982, cited by Botha in Hanekom, Rowland & Bain, 1995: 178) provides the following benchmarks for testing public accountability in a democratic country:

- The intervals and efficiency within which decision-makers sought public views.
- The ease with which ordinary citizens can participate in decision-making across all levels of government.

In relation to the research problem, it is evident that the management of informal businesses (street vendors) should be looked at in relation to accountability to the other stakeholders, effective usage of resources and transformation of the current state of affairs in an endeavour to promote development. In this instance, accountability to stakeholders would refer to the municipality considering the effect of the informal business sector on the members of the public and the formal business sector. Transformation of the state of affairs in contrast, refers to the adoption of new approaches in managing street traders, in a way that acknowledges the importance of this sector in social and economic development.

2.2.3 Historical Perspective

The study of Public Administration as an academic discipline has evolved over time. It is argued that this evolution started in the USA as a result of an essay published by Woodrow Wilson in 1887. The main objective was to deal with corruption in government as well as reforming the state machinery (Coetzee, 1988: 33; Fox in Fox, Bayat & Ferreira, 2006: 11; Fry, 1989: 2 and Woll, 1996, cited in Bayat & Meyer, 1994: 5). In trying to address the issue of corruption and inefficiency in public institutions, Wilson advocated that politics should be separated from administration. He argued that administration should focus on the implementation of public law, while politicians focus on setting the law or determining the tasks of the administration. This assertion was supported by Frank J Goodnow, who maintained that government had two distinct functions, politics and administration. In this dichotomy, the judicial would concentrate on the formulation and proclamation of policy while the administrative function would be concerned with the impartial and apolitical implementation of policy (Coetzee, 1988: 35, Fox in Fox, Bayat & Ferreira, 2006: 11 and Henry, 1995: 22). Administration was therefore seen to be value-free, and free from politics. This idea was, however, changed later when it emerged that actually, administration is value-laden politics (Coetzee, 1988: 38). Hence the first text book on Public Administration published by Leonard D White stressed the separation of politics from administration (executive branch of government).

According to Wilson, it had become difficult to execute or implement laws and policies rather than to develop them (Henry, 1995: 22). What this basically means is that it was easier to develop new laws and policies yet institutions were finding it difficult to implement such policies. The important lesson from this assertion is that when developing a policy, institutions should also consider the “implementability” of such policies. In relation to this study, it is not only important how the policy looks: its goodness and effectiveness are dependent on how well the municipality would be able to implement such a policy. The municipality should assess whether it has expertise, resources or systems to implement the policy (in a way that would enable it to attain its objective).

Wilson (in Fry, 1989: 3) identified three main issues that would address the inefficient and ineffective state, namely:

- Separation of politics and administration.
- Application of business principles and techniques in the public sector.
- Establishment of a discipline to govern public administration.

According to Wilson, the development of a discipline that would develop principles to guide administrators so that they perform their functions diligently and efficiently was critical (Fry, 1989: 2). As Coetzee (1988: 34) puts it, the aim of teaching how to run public affairs would "... straighten the paths of government, to make its business less unbusinesslike, to strengthen and purify its organisation, and to crown its duties with dutifulness".

Looking at Coetzee's assertion, one can conclude that probably the state organisations were run in an inefficient, ineffective and uneconomical way. This means that Public Administration should aim to equip officials with skills that would enable them to be more effective, efficient and economic.

With the foundation for the establishment of an academic discipline on public administration having been laid (as per the discussion above), the evolution of Public Administration can be classified into three main approaches: classical approaches, behavioural approaches and the contemporary approach. The section below provides a synopsis of the various approaches, which have influenced the various institutional structures and systems as evidenced in public institutions today.

2.2.3.1 The Classical Approach

The classical approach was characterized by the politics/administration dichotomy (Henry, 1993: 22 and Van der Waldt & Helmbold, 1995: 33). According to Roux et al (1997: 19), this approach can be divided into three perspectives: the scientific management approach, the administrative theories and the bureaucratic approach. Several people such as Frederick Taylor, Luther Gulick and Max Weber are associated with this approach. Roux et al (1997: 19) maintain that this approach is

mainly characterized by the fact that emphasis was on formal aspects of the organization as well as the closed organizational systems, as shown below:

(a) The Scientific Management Approach

This approach was pioneered by the American engineer, Frederic Taylor. Taylor identified that organizations were characterized by inefficiencies, and were highly disorganized (Fry, 1989: 53). According to Taylor, greater productivity could be attained if working methods were improved and responsibilities divided between management and workers leading to organizational efficiency (Fry, 1989: 53 and Roux et al, 1997: 19). Taylor focused on the performance of routine and repetitive tasks with the intention of determining the best ways of performing the tasks. According to Fry (1983: 3), although this approach was used in the private sector, it was also accepted in the public sector.

In order to increase organisational efficiency and productivity, Taylor proposed the following (Fry, 1989: 53-57 and Roux et al, 1997: 19-20):

- A thorough and scientific analysis of each task that would enable managers to develop job descriptions and thereby increasing productivity.
- Organisations should develop a scientific way of selecting suitable personnel. This method should also include performance development.
- Employees were to be paid according to output and not hours worked.
- Specialisation of functions, which emphasized the difference between manager and low level employees. Managers should be responsible for developing best ways of performing tasks.

Critics of Taylor's model maintain that the model views man as an extension of a machine, and does not consider the influence of environmental variables on the behaviour of workers (Roux et al, 1997: 20). As Fry (1989: 68) puts it, Taylor's model extended the engineering perspective from machines to men. Despite this shortfall, the model however called for more cooperation in the workplace, wherein

mutual distrust would be replaced by a “joint pursuit of shared objectives” (Fry, 1989: 68).

(b) Administrative (Departmentalist) Theories

The administrative theories were advocated by various people such as Henri Fayol, James Mooney, Alan Reilly, Luther Gulick and Lyndal Urwick. These theories emphasized formal organizational structures, management functions and principles of organizing as a prerequisite for attaining efficiency (Fry, 1989: 3 and Roux et al: 1997: 22).

According to Roux et al (1997: 21), it is Henri Fayol’s view which led to studies in management theories through the various elements of management, such as planning, organization, supervision, coordination and control (Roux et al, 1997: 21). In addition to the elements, Fayol further identified fourteen (14) principles of management. The emphasis was more on a centralized organizational structure, characterized by functional specialization as well as maintenance of authority and discipline.

Gulick in contrast emphasized the importance of identifying, grouping and coordinating tasks necessary for the accomplishment of organizational goals in order to increase organizational efficiency (Fry, 1989: 3). According to Coetzee (1988: 36), Willoughby (who published the book *Principles of Public Administration*) separated the functions of government into decision-making (politics, legislative) and execution (administration, executive). It was, however, authors like Gulick and Urwick who formulated the functions performed by those in administration, namely, planning, organizing, staffing, directing, coordinating, reporting and budgeting (Coetzee, 1988: 37 and Henry, 1995: 24). According to Henry (1993: 24), this period resulted in the development of the principles of administration. This school of thought maintained that principles of administration could be administered anywhere without regard to the environment, culture or institutional framework.

This approach resulted in the development of concepts such as span of control and chain of command as used currently in both private and public sectors. Dealing with the relationship between the various branches of government, Gulick stressed the role of the legislative as being to review and approve policies, while the executive’s role

should be to plan, propose and implement public policies and programmes (Fry, 1989: 74). According to Gulick, government should manifest a “decent human sympathy for the weak” and also take into account the view of other stakeholders when performing its functions (in Fry, 1989: 78)

(c) The Bureaucratic Model

Another prominent person in the classical period is Max Weber. According to Weber, the separation of politics and administration was critical to increase organizational efficiency, wherein an administrator must be a neutral person who implements the mandate of politicians. According to the Weberian model, the bureaucracy (administration) is responsible for the implementation and execution of policy decisions and not policy formulation (Fry, 1989: 4 and Mentz, Kellerman & Kotze in Kotze, 1997: 18). Weber further placed emphasis on formal organizational structure and hierarchies as a prerequisite for efficiency and effectiveness (Roux et al, 1997: 22). As Mentz, Kellerman & Kotze (in Kotze, 1997: 18) maintain, Weber’s model was designed for control administration (to maintain law and order) with very limited service function. Weber considered this to be critical considering the large public sector institutions. To this effect, he formulated the following characteristics of an ideal sophisticated and efficient institution (Botes in Hanekom, Rowland & Bain, 1987: 72-80 and Roux et al, 1997: 22):

- A well planned hierarchy with clearly defined areas of authority and responsibility.
- A clear division of work to make specialization possible.
- A system of rules and regulations and procedures.
- Strict and systematic discipline and control for workers.
- Strict selection and evaluation of personnel who wish to join the institution.

Without any doubt, the classical approach set the foundation for public administration as evidenced today. However, some of the critics of the approach maintain the following (Coetzee, 1988: 38 and Roux et al, 1997: 24-25):

- The assumption that politics and administration could be separated (dichotomized) was questionable. It is maintained that this assumption contain conflicting principles that were not tested under scientific conditions.
- Focusing on organizational structure degrades an individual to a level of dependency.
- The approach ignores other factors that determine individual conduct.
- The influence of environmental variables on the task of organizational units is ignored.
- Too much emphasis is placed on discipline and control.
- The development of universal principles of public administration would not succeed due to differences in personalities as well as cultural differences. It was argued that instead of focusing on the principles of administration, focus should instead be on the functions of leading officials.

2.2.3.2 Neo-Classical Approach

Unlike the Classical Approach, this school of thought focused on the administrative environment (organisational structure and management) to the exclusion of the political environment (Fry, 1989: 5). Emphasis was more on interpersonal relationships and human behaviour (Roux et al, 1997: 25). The theories succeeded in analyzing the informal dimensions of organizational manifestations.

The neo-classical approach is attributed to various authors such as Elton Mayo, Mary Parker Follet, Chester Barnard, Herbert A Simon and others. Roux et al (1997, 25-26) distinguish two perspectives related to this approach, the human scientific approach and the human relations approach. The discussion below provides a synopsis of these two perspectives:

(a) Human Relations Approach

This approach concentrated on issues relating to informal relationships in an organisation. It is linked to the works of various people such as Mary Parker Follet, Elton Mayo and Roethlisberger & Dickson. According to Follet, authority in an organisation is pluralistic, that is, it exists at many points in an organisation. To this effect, the primary task of an organisation should be to coordinate various activities in order to attain its objectives (Fry, 1989: 115). This is contrary to the Classical Approach that maintained that authority in organisations only resides “in the apex of an organisation” (Fry, 1989: 7). Follet further maintained that authority starts from the lower ranks in an organisation instead of descending, as argued by the Classical Approach (Fry, 1989: 7). Perhaps the most notable conclusion by Follet in this regard is the fact that authority develops among superiors and subordinates, and is not a final moment of decision carried in a command. According to Follet, it is coordination, not coercion that should be encouraged in institutions to address the challenge of laissez-faire (Fry, 1989: 106). Follet thus advocated participation, regard for the role of the group in individual behaviour (social relationships) and integration (instead of compromise or domination) as a primary means for resolving social conflicts.

Another prominent contributor to this approach is Elton Mayo. Mayo’s research focused on the effect of social and psychological factors on human behaviour with emphasis on informal group activity (Fry, 1989: 7 and Roux et al, 1997: 26). Unlike Follet who maintained that conflict in organisations should be used for productive reasons, Mayo maintained that conflict should be avoided. Instead, organisations should strive for spontaneous cooperation among various units (Fry, 1989: 122). Roethlisberger and Dickson, who also studied the informal aspects of organisations, found that factors such as group stability, acknowledgement and appreciation can lead to great motivation (Roux et al, 1997: 26).

Mayo’s studies led the following conclusions, which in the main negate most assertions made during the classical approach (Fry, 1989: 7 and Roux et al, 1997: 26):

- Social norms and not necessarily physical abilities of a worker play a role in production.

- Workers are not groups. Instead, workers are members of group(s), act as members of groups and are influenced by the informal groups that are not recognized by formal organisational structures.
- Non-financial incentives have a meaningful influence on group behaviors.
- Leadership plays an important role in the establishment and enforcement of group norms. It also acknowledges existence of formal and informal leadership.

(b) Behavioural Science Approach

The behavioural science approach focused on issues relating to human behavioural patterns and willingness to participate in relation to organisational structures. Authors such as Chester Barnard, Herbert Simon and George Homans argued for the importance of willingness to participate, self-control and individual and group behavior in organisations. Other proponents of this approach emphasised the importance of motivational needs and factors in organisations (Roux et al, 1997: 27). According to Coetzee (1988: 38), it was Chester Barnard who not only criticized the notion of principles of public administration, but indicated the functions of the executive functions. Barnard further maintained that organisations are systems of exchange, wherein an individual's response to the organisational directives is dependent on the incentives that the organisation gives to the individual (Fry, 1989: 156). According to Barnard, the functions of the executive are to provide a system of communication, to secure individual effort in an organisation and to formulate and define organisational purpose (Fry, 1989: 172). To perform these functions effectively, the executive must fully understand the organisation and the environment in which it is operating (Fry, 1989: 173).

The table below summarises the distinction between the Classical and Neo-Classical Approaches:

Table 2-1: A comparative analysis of the Classical and Neo-Classical Approaches.

CLASSICAL APPROACH	NEO CLASSICAL APPROACH
Focused on separation of politics from administration (politics-administration dichotomy).	Value-fact dichotomy. Ignored the political environment. Instead focused on organisational structure, human behaviour, interpersonal relationships and management.
Emphasised executive decision-making.	Emphasised Participatory decision-making.
Supervision should be production-oriented.	Supervision should be “employee-oriented”.
Specialisation.	Job enlargement, by expanding functions performed.
Control and coordination (centralisation).	Wider span of control (decentralisation).
Less focus on human needs in an organisation.	Put human needs at the forefront.

(Table developed by author, information sourced from Fry, 1989: 5-6 and Roux et al, 1997: 19-27).

2.2.3.3 The Contemporary Approach

The changing environment forced researchers to look at new models and theories for organisations to survive. The contemporary era emphasized that government activities should be relevant to the needs of the changed society. Contemporary theorists, studied organizations with greater consideration to environmental issues and demands in an effort to explain contemporary organizations in an encompassing systems approach (Roux et al, 1997: 28). The contemporary approach to organizations therefore hinges on three pillars, namely, the formal (classical approach), informal (neo-classical dimension) as well as the environment. In this approach, the environment is put in a systemic relationship with the other two dimensions. This approach views organisations as open systems that are in constant interaction with the environment (Roux et al, 1997: 30 and Venter in Van der Waldt, 2007: 82). According to Venter (in Van der Waldt, 2007: 82), local government is affected by various external and internal factors. On the external environment is affected by national government, provincial government, ward committees, civil society,

traditional leaders, and many more. Internally, it is affected by factors such as human resource development systems, financial transformation and integrated service delivery. This means that to be effective, local government policies must take into account the environment within which it exists.

This approach led to the “New Public Administration” concept. This school of thought advocated principles such as proactive administrators, concern for clients as well as social equity. Ignited by the conference organised by Dwight Waldo in 1968, the New Public Administration revolves around various themes, such as participation, decentralization and representative bureaucracy (Coetzee, 1988: 40 and Fry, 1989: 234). The notion of New Public Administration was thus aimed at making the study of Public Administration relevant to the needs of a changed society. The contemporary approach added the dimensions of communications and decision-making to the administration process (Coetzee, 1988: 39-40). According to Roux et al (1997, 31-33), organisations that operate in an open system are characterized by environmental awareness, feedback, growth and development. This approach goes beyond considering efficiency, effectiveness and good administrative techniques as concerns in public administration. Instead, it focuses on social equity as a normative standard that makes equity in the delivery of public services the criterion for judging the value of administrative policy (Chandler & Plano, 1988: 33).

According to Chandler and Plano (1988: 33-34), classical public administration asked two questions of public policy: (i) can better services be offered with available resources? (ii) can the level of services be maintained while spending less? In addition to these questions of affordability and sustainability, the New Public Administration asked a third question, whether the services enhance social equity. Social equity refers to equitable and equal treatment of all concerned. This implies that in taking policy decisions, public managers should focus on how each service improves the power and welfare of disadvantaged groups (Fox & Meyer, 1995: 120).

This approach has been adopted by states, where emphasis on policy and programmes is on ensuring equal distribution of the resources as well as redressing the imbalances of the past, while trying to maintain economy and efficiency. Taking into account this school of thought, South Africa would be an interesting case, given the history of this

country where social equity in public service delivery was not an issue during the past regime.

Considering Batley's (in Devas and Rakodi, 1993: 176) assertion as far as the transformative role of government is concerned, this study attempts to provide recommendations on how Polokwane Municipality can promote development and transformation through proper policies for the management of its informal business sector. In developing policies for managing informal businesses, the municipality is not expected to maintain the status quo. Policies should instead be affordable, sustainable and enhance social equity. In short, policies should be developmental in nature because public institutions are expected to be agents of change.

The following lessons emerge from the analysis of the various approaches:

- The evolution of Public Administration is interesting in that it has indicated that some of the challenges faced by public institutions in the past still exist. For example, there is still an outcry that public institutions are corrupt, not efficient and effective. It is on this basis that there is now, more than ever before, emphasis on efficiency, effectiveness and economy (three Es) in public institutions. This is indicated in various policies and legislations in South Africa that aim to ensure that public institutions are governed by the principles of efficiency, economy and effectiveness. Section 195(1) of the Constitution for example, mandates public institutions to use resources efficiently and effectively.
- There is an outcry that South Africa has very good policies, yet the quality of life of most people remains bad. South Africa is even praised of having one of the best Constitutions in the world. This supports the fact that was raised by Woodrow Wilson that it was easy to develop laws, policies or regulations than to implement them. This means that when developing a policy to address any societal problem, it is critical to ensure that the policy can be implemented. Good policies (on their own) do not bring any change. It is only the implementation that will effect change in people's lives.

- Organisational structures as seen today have been largely influenced by both the classical and neoclassical period. One finds in institutions more centralised control with authority concentrated at the top echelon. At the same time, human resource development policies have been largely influenced by the behavioural (Neo-classical) approaches.
- The element of social equity is critical, particularly in countries like South Africa, where there is a need to redress the imbalances of the past. When developing a policy, the policy should promote equity, ensuring that the marginalised and disadvantaged benefit.
- Organisations are open systems. As a result, a policy cannot be developed in isolation from the environment in which it will be implemented. When developing a policy, the influence of the environment (in respect of inputs and outputs) should be considered. There should also be mechanisms of providing continuous feedback to the environment with regard to each policy developed and implemented. Five concepts that would be fundamental when developing an effective policy would be ensuring clear objectives, consideration of the environment, availability of resources, clarity of components (role players) and management (Henry, 1995: 151).

2.3 CONSTITUTIONAL MANDATE

From 1919 when it became a state, to 1996, South Africa has had five Constitutions (Craythorne, 2003: 1). While most of the Constitutions prior to 1993 were based on the Westminster systems, the 1993 Interim Constitution brought fundamental change to South Africa's Constitutional development (Craythorne, 2003: 3). According to Craythorne (2003: 1) the Constitutional change in South Africa was evolutionary in that power passed from one regime to the other by negotiation and without a bloody civil war. This evolutionary change was well planned in order to maintain stability in South Africa (Kotze in Kotze, 1983: 18).

Fundamental change to Constitutional development was brought by Chapter 10 of the Interim Constitution (Act 200 of 1993), which changed the status of local government. It entrenched the right of local government to exist, as well as its powers

and functions (Craythorne, 2003: 4). This Constitution did not only bring to end a large number of institutions which were the products of apartheid system, it also gave birth to a new system, a democratic system of governance.

Following the Interim Constitution, the final Constitution (Act 108 of 1996) was adopted on 8 May 1996. Of importance is Chapter 10 of the Constitution, which is dedicated to public administration. This in itself indicates the importance of an effective and efficient public administration in ensuring that citizens' needs are met.

Section 195(1) of the Constitution indicates that public administration in South Africa must be governed by some of the following democratic values and principles (Constitution of RSA, 1996):

- (a) Promotion of a high standard of professional ethics.
- (b) Efficient, economic and effective use of resources.
- (c) A public administration that is development-oriented and accountable.
- (d) Provision of services impartially, fairly, equitably and without bias.
- (e) Responding to people's needs and encouraging the public to participate in policy-making.

Considering the principles listed above, it is evident that in daily operations, public institutions must ensure that all the actions are development-oriented, enabling citizens to live dignified, good and healthy lives. Furthermore, in ensuring that development is attained, the resources of the institutions, which are paid for by the citizens through taxes levied, must be used effectively, efficiently and economically. This can be linked to the various approaches in Public Administration, from the classical approach to the New Public Administration principle that centres government activities on affordability, sustainability and social equity.

Looking at South Africa prior the advent of democracy, services were rendered in a highly biased manner. Certain groupings enjoyed all the benefits at the expense of the majority of the population (Cloete, 1995: 1). However, the current Constitution urges public institutions to provide services equitably and impartially to all. This implies that each public institution must be structured in such a way that it understands issues affecting its customers (citizens). It should ensure that in addressing such issues, all

citizens are treated fairly. It should further ensure that the needs (of communities) are satisfied without consideration of race, gender and economic status, as was the case in the past. Accordingly, Section 195(1)(e) of the Constitution makes reference to an all-important point that is often ignored, which is public participation in policy-making . These constitutional provisions provide a framework for the issues that Polokwane Municipality should consider when developing a policy for the management of informal businesses. It basically means that the policy should enhance social equity, fairness and be sustainable. Furthermore, it means that during the development of such a policy, members of the public should be consulted so that they can provide input.

2.4 TRANSFORMATION OF THE PUBLIC SERVICE IN SOUTH AFRICA

As indicated earlier, public institutions exist to address the needs of the population. Furthermore, in a civilised and democratic society, public services are not a privilege but a legitimate expectation from the people being serviced (White Paper on Transforming Public Service Delivery, 1997). However, to understand such needs and come up with proper and relevant intervention mechanisms, the public must participate in the policy-making process. It is the public that knows what the problems are, and can best advise on how such problems can be dealt with.

The democratic South African government adopted several policies in order to transform the public service. This change in approach led to the adoption of the famous Batho principles that put people at the centre of development.

Like other spheres of government, local government has also been transformed following the democratic dispensation. The following section looks at the evolution and transformation of local government in South Africa. This assessment is crucial in that it provides a basis for the current operations of local government.

2.5 LOCAL GOVERNMENT

The role of the state is not only to make life possible, but to make life good. Like other states, the South African state is no exception. The Constitution laid a basis and reaffirms South Africa's commitment of ensuring that the quality of life is made better. According to Van Rooyen (undated, cited in Ismail, Bayat and Meyer, 1997: 3-4), local government exists for two reasons, namely service rendering (utilitarian consideration) and democracy, which is a civic consideration. While the utilitarian consideration focuses on efficient and effective rendering of services, as well as the fact that citizens must pay for those services, the second reason entails the values of public participation, representation, local autonomy, responsiveness and fairness.

The challenge for each local authority is to balance the two factors in such a way that it will be able to promote the social and economic well-being of the citizens. It is interesting to note the relationship between the two functions and the principles that should govern public administration as enshrined in the Constitution. For example, one of the principles of public administration maintains that the people should be encouraged to participate in policy-making (Constitution of the RSA, 1996). To give effect to this principle, municipalities should create avenues and opportunities for the public to participate in local policy-making structures (Ismail, Bayat & Meyer, 1997: 10). This principle is aimed at promoting democracy, ensuring that democracy is not equated to voting, but also influencing decisions that affect a citizen's life.

The adoption of the Constitution changed the status and nature of local government, in that an entire chapter (Chapter 7) is dedicated to local government, and gives each municipality the power to govern its affairs (Craythorne, 2003: 7). These provisions laid the basis for the concept of developmental local government as enunciated in the White Paper on Local Government. Section 152(1) of the Constitution provides that the objects of local government are:

- (a) To provide democratic and accountable government for local communities.
- (b) To ensure the provision of services in a sustainable manner.
- (c) To promote social and economic development.
- (d) To promote a safe and healthy environment.

- (e) To encourage the involvement of communities and community organisations in the matters of local government.

Section 195(c) of the Constitution maintains that public administration should be development-oriented. This implies that in all its activities, the local authority, like other spheres of government, should continuously and in a sustainable manner render services to the populace that will improve their quality of life. As Ismail, Bayat and Meyer (1997: 9) maintain, local authorities must be concerned with the business of development, and not to only regulate people's lives. This is because municipalities are charged with the responsibility of facilitating and promoting both physical and human development.

Using the Constitution as the main reference point, it is evident that the role of government, in particular local government, has drastically changed with the new dispensation. It has evolved from being first a collector of rates and taxes to playing a developmental role. What this implies is that in all its policies, programmes, and legislation (by-laws), local government should focus on the impact of its interventions on inequality, unemployment and poverty. This is because municipalities have a critical role to play in ensuring that poverty is eradicated (to a large extent through the provision of basic services), unemployment is reduced (by providing assistance/support to job-creating initiatives) and inequality is addressed, through increased access to services and economic opportunities.

From a public administration point of view, as Botes et al (1992: 200) maintain, all these functions (of local government) can be refined into three main categories: protective functions (e.g. traffic), promotive functions (e.g. issuing license) and enabling functions (e.g. developing development policies). Looking at the functions one can conclude that while the protective functions make life possible, the promotive and enabling functions (and to a certain extent some protective functions) are aimed at promoting the quality of life of the citizens and thereby making their life good. In order to carry out this function each municipality has to order its administration and manage resources in a way that will make this possible. It further means that the municipality must develop policies and bylaws that would enable it to perform the promotive and enabling functions effectively.

The section below indicates how local government in South Africa has evolved over time, from a government based on segregation to an inclusive, democratic developmental local government.

2.5.1 Transformation of Local Government in South Africa

The apartheid value system in South Africa manifested itself at the local government. Communities of different races were separated by law and administered by separate authorities. This resulted in some communities being more privileged than others (Cloete, 1995: 2 and Ismail, Bayat & Meyer, 1997: 46). Since then, local government in South Africa has undergone many phases. According to Craythorne (2003: 9), although this has occurred, there are still characteristics of the past local government in the present local government. This section shows the various phases that local government has undergone from the 18th century to date.

2.5.1.1 Period: The 18th to the 19th century

During the 18th century, local government was centralised. It used a Dutch system of Landdrosten and Heemraden. The Landdrost was a government official with local government function, while the Heemrade were (white) citizens appointed by the governor (Craythorne, 2003: 9-10 and Ismail, Bayat & Meyer, 1997: 39). Together, the Landdrost and Heemrade concluded matters by way of majority decisions (Lourens & de Beer, 1995: 24).

During the 19th century, various legislations were introduced for the two British colonies of the Cape and Natal. This includes the Cape Municipal Ordinance of 1836 that introduced the principle of local tax. The 1840 Ordinance instituted the setting up of an elected board in Cape Town. In 1867, new legislation resulted in the election of councillors.

The legislation that brought significant changes was the 1854 ordinance. This ordinance was based on the local government laws in England. The following concepts resulted from the legislation (Craythorne, 2003: 10):

- Constitution of towns as corporate bodies.
- Election of representatives by voters registered on the voters roll.
- Councils decided on a local tax (rates) levied on property that has been valued.
- Appointment of councillors.
- Senior officials (including town clerk) were appointed, not elected.
- Introduction of the committee system.

Most of these characteristics are still prevalent in the current local government set-up. For example, the local government Municipal Property Rates Act (No 6 of 2004) is still centred on the powers of municipalities to impose property rates. Furthermore, senior officials in municipalities (referred to as Section 57 employees) are appointed by Municipal Councils in terms of the Municipal Structures Act (No 117 Of 1998). In terms of auditing, municipalities have to be audited annually in terms of the provisions of Section 126 of the Municipal Finance Management Act (No 56 of 2003).

2.5.1.2 Period: 1900-1983

The apartheid regime created separate local authorities based on the four racial groups in South Africa. While the white local government system was endowed with resources, the other three systems were inferior and not viable. As Van der Waldt and Helmbold (1995: 89) clearly indicate, prior democracy, black authorities had no sustainable source of revenue and were not financially viable. During this period, there was more focus on rationalisation of previous legislation and enactment of new legislation. There was also an attempt on political reform (Craythorne, 2003: 10). Three important legislations that were later enacted to govern local government to bring about political reform were:

- (a) The Promotion of Local Government Affairs, Act 91 of 1983

This Act established a Council for the coordination of local government affairs. It consisted of various ministers and secretaries of associations representing whites,

coloureds, Indians and blacks' local government and persons appointed by the minister. The council did not have any decision-making powers, but could only recommend to the Administrator. The Council was as such, quite toothless (Craythorne, 2003: 11).

(b) The Regional Services Council Act 109 of 1985

In terms of this Act, a Council was established as a platform for joint decision-making by institutions representing different race groups. Interesting though, is the fact that the Council could only decide on general affairs. General Affairs were mainly matters that did not affect any race group in the maintenance of its identity and the furtherance of its culture (Craythorne, 2003: 3). Since black people were a general affair (Craythorne, 2003: 11), one would assume that matters affecting blacks were the ones decided jointly at the Regional Service Council, and not matters affecting whites, coloureds and Indian race groups or own affairs.

According to Craythorne (2003: 11), the positive thing about this Act is that it gave local government a source of income. It should be mentioned that except for KwaZulu and Natal, in all other provinces homelands were excluded from this arrangement. This deepened poverty and resulted in huge backlogs in services and development (Craythorne, 2006: 11).

(c) The Interim Measures for Local Government Act 128 of 1991

This Act allowed local communities to negotiate various issues like total amalgamation of various forms of resource sharing or establishment of joint services bodies (Craythorne, 2003: 11). The challenge, however, was that the proposals had to be approved by the Provincial Administrator who was appointed by the State President (Craythorne, 2003: 11).

2.5.1.3 Period: 1984-1994

The adoption of the Local Government Transition Act, 209 of 1993 provided a basis for restructuring local government in South Africa in that it compelled negotiations between political and civil society at local government level (Swilling in Reddy, 1996: 20 and Van der Waldt, 1995: 89). The Local Government Negotiating Forum

(LGNF) was established during this time to guide the local government transition process, parallel to the Kempton Park negotiations (Craythorne, 2003: 12 and Swilling in Reddy, 1996: 20). The formation of the forum was a result of persuasion from the South African National Civic Association (SANCO). The forum was constituted by representatives of central, provincial and organised local government (statutory delegation) and SANCO (non-statutory). According to Reddy (in Reddy, 1996: 58) the establishment of the LGNF was a breakthrough for reform of local government in South Africa. The approach for the negotiations was to develop both the interim and final local government plans (Reddy in Reddy, 1996: 59-61 and Van der Waldt & Helmbold, 1995: 90-91).

Agreements reached during the negotiations were that local government transformation would take place in three distinct phases:

- The first phase (pre interim phase) would be the period from the adoption of the Local Government Transition Act to the elections. It provided for the replacement of sitting councillors with appointed councillors. This phase would end with the first elections of local government.
- The second or interim phase started with the first local government elections (of 1995 and 1996) and ended when the new Constitution took effect.
- The third phase and final phase would be governed by the provisions of the final Constitution (Craythorne, 2003: 12-13).

The Act provided space for all those directly involved in local government to participate in matters of local government. This was something new and it totally transformed local government in South Africa. It was during this phase that various bodies like the Local Government Co-ordinating Committee (LGCC) or Transitional Local Councils for non-metropolitan urban areas were formed.

It is very clear that during this time, great strides were made in transforming local government from what it was during the apartheid era. Another milestone in terms of local government transformation was reached as per the Agreement on Local Government Finances and Services, 20 January 1994. The following is worth noting with regard to the implementation of the changes:

- **Service Delivery:** It was agreed that with regard to service delivery, in the short-term the goal would be to provide services to meet the individual's basic health and functional requirements. The medium-term goal would be to provide services to enable sustained economic growth, while the long-term goal would be to provide equal and equitable access to services to all residents.
- **Finances:** Municipal finances would be based on the principle that each municipality should have a tax-base. This meant that each municipality should have a tax base in order to be sustainable.
- **Tariffs and payment for Services:** It was agreed that tariff structures should take into account poverty and unemployment. It was further agreed that cost recovery should be an important principle on which service delivery should be based.

Taking into account the provisions of the agreement, it is quite clear that most of the provisions of the Constitution (Act 108 of 1996), White Paper on Local Government, Municipal Finance Management Act, and Municipal Property Rates Act as well as other policy documents governing local government, were informed by this framework.

2.5.1.4 Period: 1995-2000

The Local Government Transition Act (209 of 1993) remained in force until the first democratic local government elections that took place on 05 December 2000. This was after the adoption of the Constitution (Act 108 of 1996) on the 8th May 1996. In between the adoption of the Constitution and the democratic local government elections, the Local Government Transition Act (209 of 1993) was amended to deal with issues like rural local government, financial matters, termination of provincial demarcation boards, and so on (Craythorne, 2003: 13). During this period, several

legislations that totally transformed local government were passed, as indicated below:

(a) Organised Local Government Act 52 of 1997

Section 163 of the Constitution provides for the establishment and recognition of national and provincial organisations representing municipalities (RSA, 1996). The Organised Local Government Act (52 of 1997) was enacted in line with this constitutional mandate. In keeping with the provisions of this Act, the South African Local Government Association (SALGA) was established to represent municipalities in various forums like the NCOP and the Financial and Fiscal Commission (Organised Local Government Act 52 of 1997, and Craythorne, 2003: 14). This Act ensures that municipalities are active participants in the affairs of the country.

(b) Local Government Municipal Demarcation Board Act 27 of 1998

This Act provides for the establishment of the Municipal Demarcation Board (MDB), whose function is to determine municipal boundaries as per Chapter 7 of the Constitution. Section 23 of the Act mandates the board to adhere to the following criteria when determining a municipal boundary (Local Government Municipal Demarcation Board Act, 27 of 1998):

- Enable the municipality to fulfil its constitutional obligations.
- Enable effective local governance.
- Enable integrated development.
- Have a tax base as inclusive as possible of users of the municipal services in the municipality.

The Act clearly mandates the board to make it possible for the municipality to discharge its objectives as mandated by Section 152 of the Constitution.

(c) Local Government Municipal Structures Act 117 of 1998

The Act provides for the establishment of municipalities, and defines the type of municipalities, as well as the divisions of powers and functions between the

categories of municipalities. It also regulates internal systems of municipalities (Municipal Structures Act 117 of 1998). This legislation provides for the establishment of structures, their functions and powers within local government.

(d) Local Government Municipal Systems Act 32 of 2000

The Act provides for the development of Integrated Development Plans, which is a plan that supersedes all other plans that guide development at local level. The Act provides a framework for systems that municipalities must put in place to function properly. It provides a framework for planning, performance management, resource mobilisation and organisational change that underpin the notion of developmental local government (RSA, 2000). The development of the Act was mainly to address the challenges that resulted from local government under apartheid that failed dismally to meet the needs of the majority of South Africans (RSA, 2000).

The Act provides for concepts like community participation that should be central to municipal activities. This is to give effect to Section 195(1) (e) of the Constitution, which maintains that people's needs must be responded to and that the public must be encouraged to participate in decision-making (RSA, 1996). This is the opposite of what happened in the past, where the apartheid system controlled local government without effective participation of other racial groups.

2.5.2 Developmental Local Government

Perhaps the most important policy document flowing from the Constitution and in relation to this study, is the White Paper on Local Government. It is this policy document that laid the basis for the implementation of the concept of developmental local government as embedded in the Constitution. It has further provided a foundation upon which the local government structures, systems and processes from the year 2000 in particular, would be based.

The White Paper maintains that developmental local governmental must play a role in representing communities, protecting human rights and meeting basic needs. It further asserts that local government must focus its efforts and resources on improving the quality of life of communities, especially those members and groups that are most often marginalized or excluded, such as women, disabled people and the very poor people (White Paper on Local Government, 1998: 18).

The White Paper further provides four-interrelated characteristics of developmental government:

- Maximizing social development and economic growth.
- Integrating and coordinating.
- Democratizing development.
- Leading and learning.

Looking at these characteristics, one immediately recognizes their synergies with the values and principles that must govern public administration as enshrined in the Constitution and the White Paper on the Transformation of the Public Service. While the Constitution emphasises development, transparency and accountability, the White Paper also highlights institution-building, management, democratising the state, human resource development and representativity, as some of the key transformation priorities. There is definitely coherence in terms of the various legislative and policy provisions, all this aimed at ensuring that services are rendered effectively, efficiently and economically to the people, so that their quality of life can be improved.

Once more, the issue of economic growth is central. The local government is entrusted with the responsibility to promote not only social development through ensuring access to basic needs, but also to promote the economy in their areas, focusing on supporting those grouping that are often marginalized or excluded. This is because citizens and communities require development in their areas in the form of access to services and economic opportunities, mobility, safety, absence of pollution and congestion, proximity to social and recreational facilities (White Paper on Local Government, 1998).

To ensure that this is attained, there are four key developmental outcomes outlined by the White Paper on Local Government (1998), which should serve as the basis for any activities by any municipality in South Africa:

- Provision of household infrastructure and services.
- Creation of livable, integrated cities, town and rural areas.
- Local economic Development.
- Community empowerment and redistribution.

As can be seen from above, local economic development is one of the developmental outcomes of municipalities. This study focuses on how the Polokwane Municipality, as the local authority responsible for making life possible and good for its citizens, has organized and is managing its administration to promote economic development through the adoption of proper policies. Taking into account all these provisions, the study analyses the current policy, structures, programmes and by-laws used to manage street vending and other related informal business activities in Polokwane. It further assesses the extent to which the municipality's policies and other regulations enable or inhibit it from promoting social and economic development through, among others, the creation of a conducive environment to regulate and support the informal business sector.

2.6 INTEGRATED DEVELOPMENT PLANNING

Local Government is a key role player in the transformation and development process in South Africa and high expectations have been linked to this sphere of government. Even during the previous regime, it is at the local government where the apartheid value system manifested itself most forcefully (Cloete, 1995: 1). To fulfil the new mandate, integrated development planning has been introduced as a crucial tool for developmental local government. The DBSA (cited in Venter in Van der Walddt, 2007: 95) defines integrated development planning as a management tool that enables a municipality to take a strategic view of its development challenges and requirements, and how to address them.

Integrated development planning is a process by which municipalities prepare five-year strategic plans that are reviewed annually in consultation with communities and stakeholders. The concept (integrated development planning) was first introduced with the amendment of the Local Government Transition Act (Amendment Act 97 of 1996). It then gained impetus with the adoption of the Municipal Systems Act 32 of 2000. Informed by Sections 152 and 153 of the Constitution, Chapter 5 of the Municipal Systems Act (32 of 2000) mandates municipalities to undertake planning that is developmentally oriented (Municipal Systems Act 32 of 2000). Section 25 of the Municipal Systems Act (32 of 2000) mandates each municipal council to adopt a single, inclusive and strategic plan for the development of its area. This plan is referred to as the integrated development plan (IDP).

Craythorne (2003: 149) defines an integrated development plan as one that is aimed at integrated development and management of the area of jurisdiction of a municipality. Being a long-term plan, an IDP must set out development strategies and action plans required to attain the objectives (Ismail, Bayat & Meyer, 1997: 77). Overall, the IDP must enable the municipality to promote social and economic development as per Section 195 of the Constitution.

Perhaps the most inclusive definition of integrated development planning is the one provided by the Intergovernmental Forum for Effective Planning. The definition maintains that:

“Integrated development planning is a participatory planning process aimed at integrating sectoral strategies, in order to support the optimisation of scarce resources and geographical areas across the population, in a manner that promotes sustainable growth, equity and empowerment of the poor and marginalized” (Venter in Van der Waldt, 2007 : 95).

The IGF for Effective Planning definition is in line with the new public administration principles of enhancing social equity, effectiveness and efficiency in all activities. This definition emphasises the importance of stakeholder involvement in order to ensure that plans and strategies are integrated. This would result in more impact. Furthermore, the definition highlights the fact that development plans should address

the needs of the poor people and those that are marginalised (women, children, youth, elderly and disabled persons). This approach will then address the pillars of development namely employment creation, poverty reduction and equal access to resources and opportunities. According to Venter (in Van der Waldt, 2007: 99-100), a good IDP would then be characterised by sectoral integration, environmental integration, vertical integration, resource integration and institutional integration.

In relation to the study, it means that development policies must be biased towards the poor and marginalised, which in this instance would be the street vendors. It further emphasises the need for ensuring that sectoral strategies are aligned. This means that, for example, land use plans should not dislocate informal businesses. Instead, when developing spatial plans, the municipality should consider other strategies, so that there is synergy.

2.7 LOCAL ECONOMIC DEVELOPMENT (LED)

One of the core components of the IDP is an indication of the council's priorities and objectives for the elected term, including its local economic development aims and its internal transformation needs (Municipal Systems Act 32 of 2000). This provision mandates the municipality to have a clear programme of how it will promote economic development in the area. Following the demise of apartheid, the Government of National Unity took over LED as part of its developmental approach to local government (Hologram, 2003: 145). The basis for the LED policy framework was set down in the Constitution, and then further emphasised and elaborated various policy documents and legislation dealing with local government. According to Phutiagae (in Van der Waldt, 2007: 132), it was the Freedom Charter that provided a basis and a vision of a South Africa with an economy that meets the needs of all the people in a more equitable manner.

According to the World Bank definition, LED is about people working together to achieve sustainable economic growth that brings economic benefits and quality of life improvements for all in the community. As a result, LED offers local government, the private sector and the local community an opportunity to work together to address

economic challenges and improve their economy (Phutiagae in Van der Waldt, 2007: 133 and www.worldbank.org). Nel (in Atkinson & Reitzes, 1998: 152) defines LED as a process in which communities and local authorities work together to manage their resources in order to create new jobs and stimulate economic activity in their area. This assertion is supported by Sing (in Reddy, Sing & Moodley, 2003: 58) who maintains that LED assists in poverty alleviation, creation of jobs and the distribution of resources to residents. The National Local Economic Development Framework (2007) maintains that “LED is an outcome of actions and interventions resulting from good local governance and the constant improvement and integration of national and programs in local spaces”.

What this implies is that the extent to which local economic conditions can change is highly dependent on the governance of municipalities. Local government is expected to play a significant role in promoting the local economy. This is because each community has its own economy that is manifested in both the informal system and the formal system (Swanepoel & De Beer, 2006: 12). It is therefore the responsibility of the local government to understand how the economic environment is structured in order to develop interventions to strengthen its potential and address its challenges.

To assist local government to discharge its mandate, several policies have been developed to provide a framework for municipalities. One of these frameworks is the National Local Economic Development Framework, which was adopted in 2007. The framework maintains that any LED programme should recognize that communities (people, business and governments at local level) are best located to change economic situations. This will enable the municipality to stimulate growth that can create jobs and thereby reduce poverty. According to the framework, the South African government’s vision for local economies is to create strong and inclusive local economies by using local opportunities, real potential and competitive advantages, addressing local needs and contributing to national developmental objectives. It is important to note the following guiding principles for LED as provided by the framework (National Local Economic Development Framework, 2007):

- Local government is responsible for the creation of an environment that results in the creation of employment opportunities. This could be achieved through the provision of relevant economic and social services.

- Emergence of locally owned appropriate strategies that support national frameworks and promote sustainable development and sustainable human settlements.
- Authorities should acknowledge that people are the greatest resource that should be included in all development initiatives. Furthermore, their skills should be increased as this will lead to increased opportunities required to stimulate local economies.
- Local authorities should aim to harness local initiative, energy, creativity, assertive leadership and skills that would ultimately unlock the economic potential in the economy.

The framework provides a blueprint of what should be done to facilitate local economic development. In addition to providing the guiding principles outlined above, the framework goes further to indicate government's strategy for promoting LED, the main actions to be undertaken, as well as how this programme will be funded.

Of note is the fact this framework puts local government at the central point of facilitating economic growth. One of the principles, for example, is that municipalities must establish spatial policies and land-use management systems that integrate small and informal traders in business zones (National Local Economic Development Framework, 2007). This is an important point considering the contributions made by informal traders to job creation and poverty alleviation. Taking into account these provisions, this study aims to provide recommendations for the development of a policy for managing informal businesses, in a way that would enable the Polokwane Municipality to promote social and economic development.

The other policy directive worth mentioning is the Five Year Local Government Strategic Agenda (2006-2011). National government, through Department of Provincial and Local Government (now renamed Department of Cooperative Governance and Traditional Affairs), has developed a five-year strategic agenda for local government (2006-2011). This framework has identified five key performance

areas (KPAs) that each municipality must focus on for the 2006/11 term of local government. One of the five KPAs is local economic development.

In terms of this strategic plan (as far as LED is concerned), all municipalities should strive towards:

- Thriving and vibrant local economy and neighbourhoods.
- Ongoing programme of contributing to the development of an employable, educated and skilled citizenry.
- Facilitation of job creation and business opportunities.
- Continuous and positive interactions with all key economic anchors and actors.

Phutiagae (in Van der Waldt, 2007: 134) suggests that some of the strategies that a municipality can use to promote the local economy: support to SMMEs, adopting regulations, policies and by laws that stimulate, as opposed to hindering, economic development as well as procuring goods and services locally.

This implies that in developing any policy that has an impact on the local economy (such as a policy for managing informal business), the principles as listed above should be central in such policies.

2.8 CONCLUSION

Public administration contributes to the development and implementation of the policies normally expressed in laws, regulations as well as rules. The local government is an autonomous and people-orientated sphere that is closest to the public, and best suited to address and have the local interest and needs at heart. Although independent, it functions within the framework of national and provincial objectives. For example, the way local government conducts its activities is governed by various national provisions. The system of local government we see today has undergone many phases since the establishment of the first system.

Other legislations like the Municipal Systems Act (32 of 2000) prescribe how local government should organise its systems, processes and procedures. This Act, amongst others, mandates each municipal council to adopt a five-year strategic plan at the beginning of its term. This plan, namely the Integrated Development Plan, should enable the municipality to meet its Constitutional obligations as outlined in Chapter 7 of the Constitution. Since local government in the democratic era is required to be developmental in nature, the notion of developmental local government emerged: it is at local government that change can really be felt by local communities. Even in the past, it was at local government that the apartheid value system manifested itself most forcefully. Laws that separated people across their race entrenched themselves in this sphere. It is likewise at local government where whites enjoyed privileges at the expense of other racial communities

The most critical task facing municipalities now is mapping out alternative strategies for promoting development. This has to be done amidst increasing poverty, unemployment and inequality levels. With the formal sector shedding jobs, leading to ever-increasing unemployment levels, it is the local government that has to put in place mechanisms to address the issue of poverty, to ensure that all its citizens enjoy a better life, and access to services that will enable them to fulfil their potential.

The 1998 White Paper on Local Government provides the framework for developmental local government. Local government is no longer expected to provide basic services, but also to create an environment that enables the economy to grow. Local Economic Development has become a key performance area for municipalities, and several national frameworks have been developed to guide this process. The White Paper on Local Government (1998) provides approaches that municipalities can follow to promote LED. It provides that local government can play an important role in promoting job creation and boosting the local economy by investing in the basics-by providing good quality cost-effective services and by making the local area a pleasant place to work and live. The National LED Framework of 1997 is very detailed in this regard. It provides the principles for LED, government's strategies and actions, as well as how the LED programme will be funded. The role of local government as a critical player is clearly outlined and emphasised in this framework.

For local government to play this critical role, it must structure and manage its administration effectively. This is because any improvement in the quality of life of communities depends on the skill, efficiency and dedication with which the bureaucratic structures carry out their administrative duties. It is on this basis that the Constitution of the Republic of South Africa has provided a framework for transforming public administration in the country. These Constitutional provisions are in line with the new public administration approach. In terms of this approach, affordability, sustainability and social equity should underpin public administration.

The Constitution (Act 108 of 1996) dedicates a whole chapter (Chapter 10) to public administration. Section 195 of the Constitution provides the basic values and principles that should govern public administration (RSA, 1996). This implies that in all its activities, local government, like any other sphere of government, has to adhere to these principles as it develops and implements policies. In its attempt to promote the local economy, the Polokwane municipality should therefore ensure that its administration operates within this set framework.

CHAPTER THREE

POLICY DEVELOPMENT AND MANAGEMENT IN LOCAL GOVERNMENT

3.1 INTRODUCTION

In the previous chapter it was indicated that public administration is made up of distinctive yet interrelated activities such as planning, policy-making, organising, staffing and determination of work and control. These functions can further be classified into four categories: legislative, political executive, administrative executive and judicial. One of the main and critical activities that public institutions perform, which is the crux of this study, is the development and implementation of policies. Politicians make policy and bureaucrats implement it. These policies provide a framework for what will be done (or not done) by such institutions, and how it will be done. This makes public policy one of the most significant areas in public administration.

Institutions develop policies to address a certain need. A policy provides a framework for actions that should be followed in dealing with such a phenomenon or a set of phenomena. To this effect, the policy process starts when a problem or challenge that requires government is identified (Meyer & Cloete in Cloete & Wissink, 2000: 97). Whether a problem has been identified proactively or reactively, the solution towards addressing the problem will be affected by various factors. Generally, a public policy indicates the programmes of action that a government will pursue or not. As a result, the success or failure of policy initiatives depends on the relevance of such an intervention to the environment. On the one hand, if not well studied, an environment can be a stumbling block to development. The same environment, on the other hand, if properly understood can provide resources that can be used to address societal challenges (Swanepoel & De Beer, 2006: 10).

This chapter provides a synopsis of both external and internal factors that shape policy. It focuses thus on the policy development process, as well as the policy cycle, providing a framework for the policy cycle. This exposé will offer a basis for recommendations for policy development for the management of the informal business sector. Various types of policies are also analysed in order to inform the research recommendations made.

3.2 DEFINITIONS

Policy is defined in many ways. This section looks at some of the definitions provided by various authors. Anderson (2000: 2) maintains that the term *policy* would generally indicate the behaviour of an actor or actors, such as an official, agencies of government or even a legislature. According to Dye (cited in Greene, 2005: 272), a public policy can be defined as what government do or choose not to do, the reason for doing it and the difference such an intervention will make in the community. Cloete (1995: 56) in contrast describes policy as a declaration of intent to do something or have it done by specified institutions in order to attain a specific objective by a political party, a legislative institution or a specific political office-bearer.

De Coning (in Cloete & Wissink, 2000: 3) defines policy as a statement of intent. According to De Coning, policy specifies the basic principles to be pursued in attaining specific goals, interprets the values of society and is usually embodied in the management of pertinent projects and programmes.

Carl J. Friedrich (cited in Anderson, 2000: 4) provides a comprehensive definition of policy:

“A proposed course of action of a person, group, or government within a given environment providing obstacles and opportunities which the policy was proposed to utilize and overcome in an effort to reach or realize an objective or a purpose”.

According to Botes et al (1996: 305), policies are systematic actions which should be taken to achieve goals. According to them, when attempting to set up a policy on a specific matter, one must consider the following:

- What must be done to attain the defined goal?
- Who must be involved in achieving the aim?
- When must the various programmes of the policy be implemented?
- Where would the activities be performed?
- How must the programme be initiated?
- Why must this specific policy be followed?

Anderson (1979, cited in Ismail, Bayat & Meyer, 1997: 150) describes a policy as a purposive course of action followed by an actor or set of actors in dealing with a problem or matter of concern. According to Hanekom (1987: 7), public policy is a formally articulated goal that the legislator intends pursuing with society or with a societal group. Hanekom further maintains that public policy has been defined as:

- A kind of guide that delimits action.
- A mechanism employed to realise societal goals and to allocate resources.
- Whatever governments choose to do or not to do.
- A declaration and implementation of intent.
- Purposive or goal-oriented behaviour.

De Coning (in Cloete & Wissink, 2000: 11) further provide other definitions of policy articulated by various authors. These definitions enable one to explore the multidimensional nature of policy, to establish the key elements of definitions in the field and to develop a working definition. According to these various definitions as provided by De Coning, policy can be described as follows:

- Policy is a declaration and implementation of intent. It is a guide that delimits actions.
- Policy indicates the goal, purpose and subsequently a programme of action to address a specific societal programme. Policy indicates what has been agreed upon by authorities. A policy is therefore purpose driven or goal-oriented as opposed to being random behaviour.

- The goals of a policy should be clearly and unambiguously stated so as to better inform actions and to aid the evaluation.
- As a proposed course of action, a policy operates within a specific environment, and as such should be relevant to the environment.
- A policy reflects the choice that has been made among various alternatives.
- Policy forms the basis for development of programme, projects and informs resource allocation.

Considering the definitions provided by the various authors, the following can be deduced:

- A policy is developed to solve a certain societal problem. Such a problem could be unrealised needs, values, or opportunities for improvement that have to be pursued through public action.
- There should be a clear objective or goal should be attained once the policy has been implemented.
- A policy is not an end in itself, but rather a means towards an end (solving a specific problem).
- An institution should make clear what it is going to do (or not do) in an attempt to attain a certain objective or solve the problem at hand.
- Institutions or functionaries that have to perform certain functions should be clearly stipulated (there are actors which should be clearly defined).

This above assertion implies that in developing a policy, an institution should clearly articulate its goals or what it aims to achieve. It should further indicate the actions that will be undertaken to attain the goals, and which functionaries will play what role in the whole process. In relation to this study, it means that Polokwane Municipality should be clear on what it intends to achieve with regard to street vending. The goal should be clear as this will inform its programmes. It further asserts the notion that no institution can perform its functions effectively without successive policy statements to direct all its activities (Cloete, 1998: 126). The word *successive* is used to stress that a policy statement or directive can never be static. This means that, for example, the municipality can only manage street trading effectively if it has a clear a policy that directs the activities of all involved with the function. Such a policy should be

revised or updated from time to time. It further stipulates that to a large extent, such a policy should indicate what will be done, who will do what, and also how it will manage conflicts that might arise due to conflicting needs (Cloete, 1998: 126; Hanekom 1987: 7, and Rakodi in Devas & Rakodi, 1993: 207).

There are critical pillars that should be considered during the policy development process. These pillars can be summarised as follows (Anderson, 2000: 4-7):

- A policy is designed to accomplish a specific goal or produce some definite results. Each policy should therefore have goals that provide general direction and not precise targets for implementation.
- A policy should indicate actions that would be undertaken over time to address an identified problem.
- To be relevant, a policy must address a certain demand (policy demand).
- Policy should indicate the activities of governments and not only what governments intend to do. In this instance, the issue of policy outputs and policy outcomes should be the point of emphasis.
- A public policy can be either positive (indicating what government will do) or negative (not doing anything about a specific issue raised).

The above principles are critical for the study in that as the municipality develops its policy, these are some of the fundamental principles that must be taken into account.

The other interesting factor is the relationship that exists between policy-making and law-making. This is because the governmental (political executive) and all the administrative executive activities must always be based on legislative directives (Cloete, 1998: 126). According to Cloete (1998: 85), for public institutions to function smoothly, the administrative functions (such as policy development and organising) must always commence before the line functions (such as building roads, construction of hawker stalls). As a result, nothing can be done in any matter in the public sector before a policy on it has been developed and accepted to declare that the action must be taken in the proper manner to reach one or more objectives. This view is supported by Hughes (1994: 147), who maintains that public policy is the output of government. Hughes argues that whatever is done by government is informed by its

policies. For Polokwane Municipality to be successful in managing the informal business sector, it should first adopt a policy that will clearly define its objectives and how the objectives will be attained. Once the policy has been adopted, the municipality will be able to develop programmes and projects informed by the long-term objective.

It is important to distinguish between a decision and policy as the two are related but not necessarily the same. According to Anderson (2000: 5), while a decision can be a once-off thing, a policy takes the decision further by indicating courses of actions, which might include other decisions. For example, the Polokwane Municipality Council might take a decision to support informal businesses. In implementing this decision, a policy will then have to be developed indicating various actions and subsequent decisions on what would be undertaken as part of implementing the Council's decision. This implies that if institutions are to be successful in their mandates, their policies should be relevant and address the real needs (problems) within the available (scarce) resources. Furthermore, such policies should take into consideration the conflicting needs of the populace and be able to reach a compromise in this regard (Rakodi in Devas & Rakodi, 1993: 207).

Depending on the state of affairs in a community, policies can be reactive or proactive. The objective of the policy will also determine the type of policy that will be developed, as outlined in the following section.

3.3 CATEGORIES OF PUBLIC POLICIES

As noted earlier, a policy indicates what governments will do or will not do in order to address a specific problem. To this effect, a policy can be reactive or proactive in nature. A reactive policy is developed in order to address an existing problem. A proactive policy, in contrast, aims to address issues before they happen. According to Greene (2005: 273), most public policies are reactive in nature.

Depending on the reasons for developing a policy, several kinds of policies can be identified. An understanding of the various types of policies is very important for this

study. For example, to control or regulate the behaviour of street vendors within Polokwane Municipality, an appropriate regulatory policy would have to be developed. Furthermore, since the problem of street vending already exists, the policy that would be developed would be a reactive regulatory policy. This section looks at the various categories of policies, their differences, as well as the different purposes of public policies:

3.3.1 Distributive, Redistributive, Self-regulatory and Regulatory Policies

One common characteristic of this typology of policies is their effect on the communities as well as the relationship among the people that are involved in policy formulation.

According to Anderson (2000: 9), distributive policies are developed with the aim of allocating services or benefits to a certain group of the population. In the South African context, an example of this type of policy would be the Broad Based Black Economic Empowerment Framework, which aims to enable people that were previously disadvantaged to participate in the economic development of the country. Redistributive policies in contrast, would be developed with the objective of shifting wealth, resources or property from one sector of the community to the other (Anderson, 2000: 12 and Greene, 2005: 273). An example of such a policy would be a land reform policy where land is repossessed from the rich owners to the poor people. The principle here, as Anderson (2000: 12) puts it, is “not equal treatment but equal possession”.

Regulatory policies intend to regulate some type of behaviour. The aim is to impose certain restrictions or limitation to a specific behaviour of individuals or groups. Examples of such policies would normally relate to business regulation, or pollution control (Anderson, 2000: 12 and Greene, 2005: 273). A policy on managing street vendors would fall within this category of policies.

3.3.2 Substantive and Procedural Policies

There is a strong link between these types of policies. Substantive policies indicate what government will do (such as paying social grants to children under 7 years), while procedural policies focus on how something will be done or who will take what action. An example of a procedural policy could be a law providing for the establishment of the South African Social Security Agency. Accordingly, Anderson (2000: 9) maintains that a procedural policy could actually have substantive consequences in that how something is done may determine what is done.

3.3.3 Material and Symbolic Policies

Material policies are developed with the objective of providing resources or power to the beneficiaries. Such policies might also affect other parties negatively (Anderson, 2000: 14). An example of such a policy would be a law that prescribes minimum wages. Such a policy would benefit the workers while negatively affecting the business owners.

Symbolic policies do not have any material impact on people, but rather address people's values on intangible benefits such as safety, peace or social cohesion.

3.3.4 Policies Involving Public Goods or Private Goods

Some of the public policies are developed in order to provide public goods such as national defence, public safety or clean air. In this instance, everybody benefits from such a policy. Private goods, however, are not freely available to everybody, but instead there are intended beneficiaries, or one has to pay to receive the benefits (Anderson, 2000: 15). Goods in this category could be social housing, toll-roads or postal service.

Irrespective of the problem that needs to be addressed, policies are not developed in a vacuum. There are various factors that would affect the approach that would be

adopted to address the problem at hand. The different hierarchies in the policy development process are critical and need to be well understood by any institution developing a policy. Such an understanding will ensure alignment and integration among political and administrative priorities.

3.4 HIERARCHY OF POLICY STATEMENTS

Anderson (1997, cited in Ismail, Bayat & Meyer, 1997: 149) maintains that policy statements are formal expressions of public policies. Accordingly, Cloete (1996: 94) argues that activities of each of the functionaries employed in a public institution are regulated by policy statements such as legislation, regulations, proclamations and instructions. Policy statements can be articulated in the form of speeches by political leaders, rules, regulations or white papers (Fox & Meyer, 1995: 98). Given this hierarchy of functionaries, there is also a hierarchy of directives, which will indeed be policy statements. The hierarchy of policy statements provide the interface and relationship that should exist between various sectors in an institution when a policy is being developed. The hierarchy of policy statements can be summarised as follows:

3.4.1 Political Policy level/Political Party Policy

This is the policy of a political party and executive officials have little to contribute (Botes et al, 1996: 311 and De Coning in Cloete & Wissink, 2000: 16). At this level, focus is on the policy of the ruling political party, which will always be the highest policy level in the public sector. The political policy will upon approval become government policy (Cloete, 1998: 127-130). What this implies is that in the development of any policy (for example policy for managing the informal business sector), the views of the ruling party should be taken into consideration. When developing a policy for managing street trading, Polokwane Municipality should for instance, take into account the African National Congress' (as the ruling party) position in relation to informal business sector. The RDP can be used as an example of a political policy. In this instance, the framework provided by the RDP would then be looked into in relation to the facts and knowledge (advice) provided by officials

and other stakeholders to ensure that a workable policy is developed (Cloete, 1998: 120).

The municipal policy should be consistent with the provision of the RDP, thereby making sure that there is synergy between political priorities and administrative priorities. What this means is that no matter what the views are, the administration must always adapt to the political environment. As Cameron & Stone (1995: 23) maintain, public administrators should always be apolitical, and implement new government's policy with vigour even if there has been a change of government.

According to Cloete (1998: 130) public officials cannot influence political policy in one-way or another (although they can make significant contributions to the final policy). One can say that such a connotation in a way underestimates the role of officials in policy development (make it insignificant), something that one can argue is not the case. This is because over and above being officials, most senior officials are active in politics and since they are specialists in their various fields, their involvement in policy is significant. Accordingly, Appleby (1949, cited in Denhardt, 1993: 56) argues that the issue of viewing policy and administration as separate activities is a fallacy. Appleby argues that administrators are important policy actors, who can influence the policy making process in many ways such as through recommendation to legislature.

Perhaps the clearer scenario in this regard is the one provided by Hanekom (1987: 21-28). Hanekom defines the roles of politicians and administrators in a more balanced way without underplaying the significance of the role played by the officials (administrative function). According to the assertion, Parliament is the primary policy-maker with the power to decide on policy, while the state departments are dependent on Parliament to initiate their actions, responsible to Parliament and therefore supplementary policy-makers. This point is further supported by Latib (in Cloete & Mokgoro, 1995: 11), who finds that senior public servants are an important component of the policy process.

As a result, for effective policy development and ultimately implementation, the relationship is that of a “partnership” rather than of “boss-servant,” as implied by Cloete’s assertion. Hanekom (1987: 23) clearly summarises this relationship by maintaining that:

“As primary policy-maker it is the responsibility of the political office-bearer to provide the officials in his department(s) with guidelines to follow - which means that he is the master and the public official is an instrument (a secondary policy-maker) utilised in public policy.”

In relation to the research problem, this means that when developing policy for managing informal businesses, Polokwane Municipality should consider the role of both the Municipal Council (constituted by political office-bearers) and the administration, as well as the ruling party’s policy stance of informal business. This is critical. It would also be important to understand the political-administration interface at the municipal level as far as policy development and implementation are concerned.

3.4.2 Political Implementation Policy/Government Policy

Once the political policy has been adopted, the political executive institutions should transform the political idealism into workable realities, creating practical policy programmes to carry out the policy of the government of the day. Such policies could state what should be done, perhaps also how, where and by whom.

These policy programmes often serve as policy frameworks for other authorities (Botes et al, 1996: 311 and Cloete, 1998: 131-132). For example, informed by the spirit of the RDP, the 1995 White Paper on the National Strategy for the development and promotion of small business in South Africa was developed as a government policy. This government policy is consistent with the political policy. In the South African context, government policy would normally be developed by the national and provincial spheres of government.

3.4.3 Administrative Executive Implementation Policy/Departmental Policy

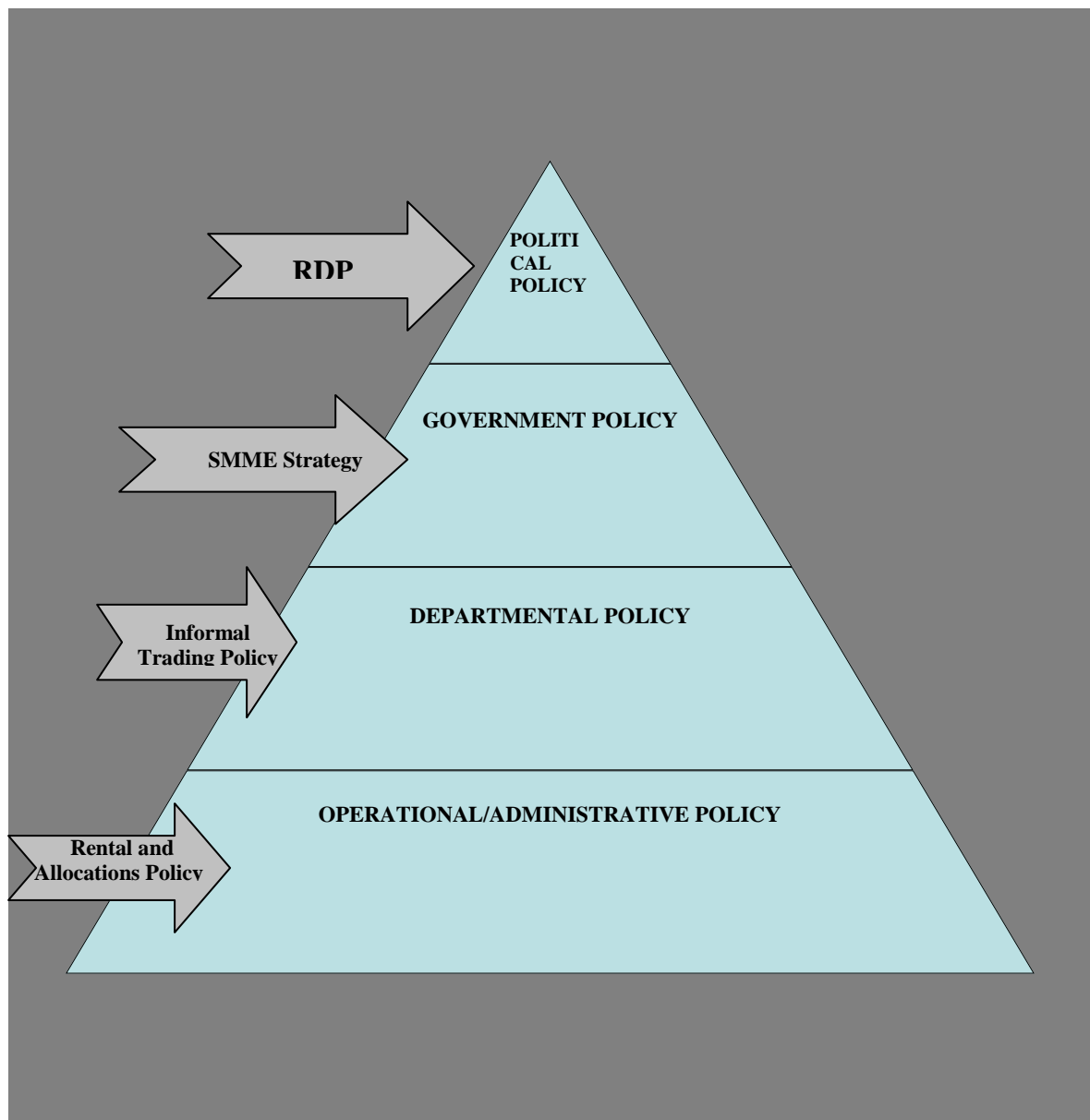
This refers to the implementation policy as determined by political office-bearers, in conjunction with high ranking officials (De Coning in Cloete & Wissink, 2000: 16). At this level, departments formulate their policies. According to Cloete (1998: 132) and Botes et al (1996: 311), this stage is usually left to the officials, that is, the head of department and his top officials. In a municipal environment, this level would be the responsibility of the municipal manager and the senior managers. In relation to the study, the policy for managing street traders would fall under this category. Departmental policies are informed by the government policy, which is in turn informed by the political policies. The policy developed by the municipality should be aligned to the governmental policy. For example, the policy for managing street trading should be informed by the 1995 White Paper on the National Strategy for the development and promotion of small business in South Africa.

3.4.4 Operational Policy/Administrative Policy

In order to give effect to the various policy positions made at the three levels described above, there is a need to take some policy decisions at the operational level (Cloete, 1998: 132 and Botes et al, 1996: 311-312). Botes et al (1996: 312) provide examples of such policies: staff policy, financial policy and organisational policy. In relation to the study, other operational policies such as rental policy, allocation policy, by-law and others can be developed in order to operationalise the policy.

The figure below provides an illustration of the various policy levels and how they can be linked together in line with this study:

Figure 3-1: Hierarchy of policy statements



(Source: Developed by author, information sourced from Botes et al, 1996; Cloete, 1998; De Coning in Cloete & Wissink, 2000 and Hanekom, 1987).

Although the various levels or hierarchies discussed above are separated, they are in reality intertwined. This is because should there be a discrepancy, it could result in a situation where what the executive institution is doing is different from the political party policy position, thereby creating problems. It is therefore important, for the purpose of the study, to reflect on this relationship and to assess the current policy of

Polokwane Municipality in order to provide recommendations for further improvement should it be necessary to do so.

3.5 FACTORS WHICH INFLUENCE POLICIES

The importance of policies in a public institution cannot be overemphasised. This is because policies provide a framework in terms of which activities should be executed. As indicated in the previous chapter, public institutions are open systems, and thereby are affected by the environment within which they exist. As a result, the process of policy-making is influenced by several internal and external factors as highlighted below (Botes et al, 1996: 306-309; Cloete, 1998: 133-138 and Ismail, Bayat & Meyer, 1997: 160-161).

3.5.1 External Factors

External factors are factors that are outside the control of the public institution, yet have an influence and should be considered when a policy is developed. This section looks at some of the external factors that would be critical when developing a policy for managing informal businesses, or any policy for that matter:

(a) *Circumstances*

These refer to the total environment as determined by time and place, in which the authority operates. It further includes the state of community life with regards to the economic, technological and social matters. When developing/adopting a policy, a problem should be looked in relation to the context of the environment within which it exists, lest the intervention become meaningless. It further implies that a public institution cannot “transplant” a policy from another institution without looking at the environment within which it operates. Should this happen and no adaptation is made to the policy, the institution may not attain the desired outcome. For example, street vending is a problem in all major cities or urban areas. However, what works in eThekweni Metropolitan Municipality in so far as the management of street vendors is

concerned, for example, might not work in Polokwane Municipality or City of Tshwane, due to the different environment.

(b) Needs and expectations of the population

Every public institution exists to satisfy the needs and the expectations of the population. Should the real needs of the population be ignored, the institution's interventions could be "irrelevant or useless". This fact has been stressed by Rakodi (in Devas and Rakodi, 1993: 207). According to Rakodi, in most cases government policies have little or no relevance because planners do not understand how the poor survive. As a result of this poor understanding, the policies do not solve the problems they were designed to solve. Although reference is made to the poor, the truth holds even for the rich (in fact, anyone affected by the services provided by government). The important thing to note is that the policy-maker should understand the real needs and expectations of its constituency, and develop mechanisms to address them.

(c) Policies of political parties

When a political party comes into government, its political policies become government policies (once adopted by Parliament). This implies that the administrative policies developed should be in line and mainly informed by the policies of the ruling political party.

(d) Activities and representation of interest groups

Members of the population with identical interest normally group together and form association. Policy-makers should therefore liaise with the groups (listen to them) to get valuable input, while at the same time ensuring that the input does not disenfranchise the least powerful groups or those that are not organised.

(e) Research and Investigations as well as the views and experience of public officials

Policies should be informed by the actual needs of the citizens. Furthermore, it is important that balance is obtained between such needs and findings of investigations and research. This calls for a close working relationship, or partnership arrangement as highlighted by Hanekom (1987: 20-23), between the primary policy-makers, Parliament and the supplementary policy-makers, who are the officials.

3.5.2 Internal Factors

These refer to factors present within the government institution which can have an active influence on policy-making, as highlighted below.

(a) Financial Feasibility

No public institution can set up ambitious policy programmes if there are insufficient funds for them. As Ismail, Bayat & Meyer (1997: 155) maintain, it would be irresponsible for a council to adopt a policy without determining whether there are sufficient funds to implement such policy programmes projects. This implies that in the process of developing the policy, the municipality must consider its financial position so that it only articulates things it will be able to do (Ismail, Bayat & Meyer, 1997: 155). Affordability and sustainability should be taken into consideration.

(b) Personnel Implications

Focusing on local authorities, Ismail, Bayat & Meyer (1997: 155) indicate that before adopting any policy, council must determine the implications of such a policy on the personnel and plan accordingly. For example, if the street trading policy would require additional licensing officers or health inspectors, this should be indicated by the policy and planned for (Botes et al, 1996: 307). Accordingly, if personnel are to be

transferred or retrenched, unions must be consulted (Ismail, Bayat & Meyer, 1997: 155).

(c) Legal Implications

Policies adopted should comply or fall within the legal framework of both the government and administrative law. This is because should a public institution apply an illegal and unlawful policy, it can be held responsible if citizens sustain harm in any way (Botes et al, 1996: 307 and Ismail, Bayat & Meyer, 1997: 155).

(d) Political Feasibility

Public institutions are created to achieve political aims, and therefore policies should be informed by the policies of the ruling party. This implies that what is politically unacceptable today may be politically acceptable tomorrow through new developments (such as changes in the ruling party after an election), and this will definitely affect policies (Ismail, Bayat & Meyer, 1997: 153).

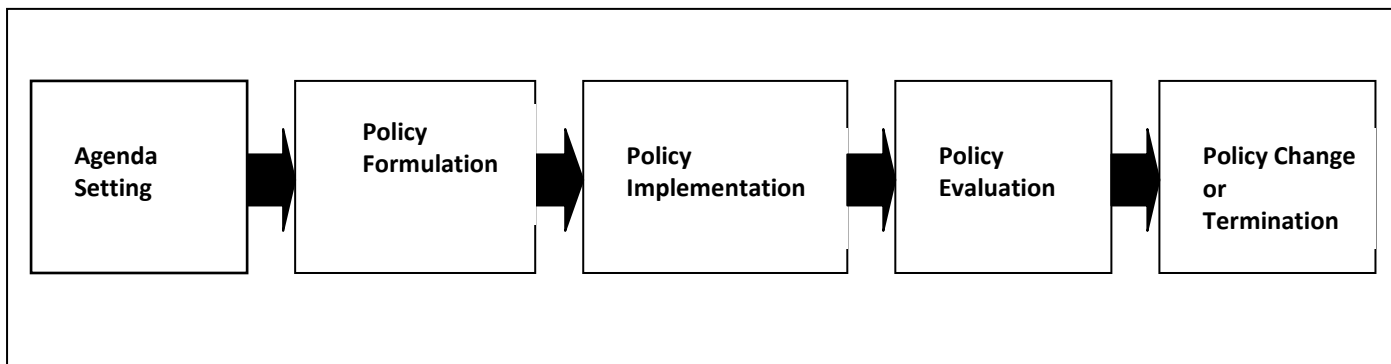
Overall, as the municipality develops or revises its policy for managing informal businesses, such a policy (the end-product) will be influenced by both external and internal factors as highlighted above. It is also important for the municipality to understand its external and internal environment before making and adopting any recommendations. Failure to do so might result in the municipality adopting irrelevant policies and ultimately ineffective interventions. Even worse, it might result in the adoption of a good policy that cannot be implemented due to financial or human resource constraints and challenges.

3.6 POLICY-MAKING PROCESS

The policy-making process is a dynamic process involving various participants. It is also a continuous interaction between the public, institutions and functionaries (Cloete, 1998: 139). It is therefore important to take into cognisance the entire policy-making process, as the success of one phase affects the other. Generally, the entire

public policy process can be divided into five steps. What is interesting though, is the fact that various authors take different views on what each phase or stage encompasses. For example, according to Anderson (2000: 31), the third phase in the policy process is policy adoption, while according to Greene (2005: 276) and Dye (1995: 298), it is policy evaluation and policy formulation respectively. Irrespective of how one decides to cluster the phases, the sequencing would still generally be as per the diagram below:

Figure 3-2: Policy making process



(Source: Adapted from Anderson, 2000: 31; Greene, 2005: 276; Hanekom, 1987: 52 and Ismail, Bayat & Meyer, 1997: 151-153).

An understanding of the various stages in the policy making process is critical, irrespective of the type of policy that would be developed. In relation to the study, it would therefore be critical for Polokwane Municipality to use the phases as a guideline as it develops its policy for managing street vendors. This section looks briefly at each stage, examining what each entails and implications for the study.

3.6.1 Agenda Setting

This is the first stage in the policy making process. This stage mainly entails identification of the problem that requires intervention (Hughes, 1994: 152). This stage is critical in that it is at this point where a decision should be made whether the

problem as identified requires the development of a course of action. It is therefore important that the problem is firstly clearly identified and specified.

3.6.2 Policy Formulation

There are normally various options available to address a specific problem. This stage entails the development of different and acceptable courses of action to be pursued, as well as the identification of role players. During this stage, alternatives are identified and the evaluation criteria are set (Hughes, 1994: 154).

3.6.3 Policy Adoption

At this stage, the most preferred course of action is adopted for implementation. It is also at this stage that a decision can be taken not to take any action.

3.6.4 Policy Implementation

Policies are developed to address societal or institutional needs. A policy therefore specifies the basic principles to be pursued in attaining specific goals, interprets the values of society and usually embodies these in the management of pertinent projects and programmes (De Coning in Cloete & Wissink, 2000: 3). This means that for a policy to be developed there must be a gap that is identified, where the intervention will assist in closing the gap.

At an operational level, policy is made to indicate how specific actions will be performed in order to achieve expected outcomes (Craythorne, 2003: 253). Policy implementation refers to the execution and steering of policy actions over time (Fox & Meyer, 1995: 97).

Upon adoption, a policy must be implemented in order to change the undesired situation that prompted the development of the policy. For a policy to be

implementable, and ultimately produce the desired effects, affordability and sustainability of the options should inform any decision taken.

The fact that a policy has been adopted does not necessarily mean that it can be effectively implemented to produce the desired results. Edwards (1980, cited in Denhardt, 1993: 163) identifies communications, resources, and attitude of implementers and bureaucratic structures as preconditions for the successful implementation of a policy. With regard to communication, for example, Edwards maintains that the orders must always be clear and accurate.

All these factors would ultimately determine the success or failure of the policy. If, for example, Polokwane Municipality adopts a policy that recognizes street trading as an important economic activity, but still leaves the management under traffic control, this might create problems. The focus might still be on regulation as opposed to supporting the sector. This means that the entire organisational structure will need to be revisited in order to ensure that the systems and processes support the policy decision. A fragmented organisation will restrict effective implementation (Denhardt, 1993: 163). Another challenge is normally faced where good policies are adopted but the resource requirements are not properly quantified and provided for. In this instance, the policy remains good on paper, yet the problem remain unsolved.

3.6.5 Policy Evaluation

Whenever an action has been undertaken, it is critical to determine whether the action has produced the expected results. As indicated earlier, a policy is developed to address a certain need. It is therefore important to assess whether the policy has produced the intended consequences.

Policy evaluation therefore refers to a process undertaken to determine the value or effectiveness of the various activities undertaken during the implementation process (Cloete in Cloete & Wissink, 2000: 211). Accordingly, Cloete (in Cloete & Wissink, 2000: 212) indicates that a policy is evaluated for the following reasons:

- To measure progress toward the achievements of policy objectives.

- To learn lessons from the project/programme for future policy review, redesign or implementation strategy.
- To test the feasibility of an assumption, principle, model, theory, proposal or strategy.
- To provide political or financial accountability.

The implication is that in developing a policy, provision should be made for how the policy will be evaluated. The evaluation method should among other things indicate the frequency of evaluation, the instruments of evaluation and the indicators to be assessed.

At times, the evaluation may bring to the fore some unintended consequences. It is therefore important to also indicate how the findings of the assessment will be processed further.

3.7 PUBLIC PARTICIPATION IN POLICY-MAKING

Another important issue to consider in public policy development is to understand the various role-players. Such an understanding will enable the policy-developers to consult widely and thereby end with a well thought through and relevant plan of action to deal with issues affecting society.

Public participation is an important element in public administration and policy development. Unfortunately, given its complexity, public institutions normally choose not to do justice to public participation as it is viewed as being costly and time-consuming, when such institutions are under pressure to be seen to be performing. In certain instances, the notion of the “protection of public interest” is used to avoid accountability (Latib in Cloete & Mokgoro, 1995: 11). According to Greene (2005: 301), evidence indicates that the average citizen’s role in policy process is normally minimal. Whatever method is used for participation, intention should be to get members of the public to participate meaningfully in the decision-making process.

In an endeavour to deal with this challenge, public participation during the policy process and other government activities is now a legislative requirement. Accordingly, Section 195(10(e) of the Constitution maintains that people's needs must be responded to, and the public must be encouraged to participate in policy-making. This provision mandates public servants to consult members of the public, because as Kotze and Kellerman (in Kotze, 1997: 36) maintain, community participation is a means to achieving sustainable development.

In terms of local government (in addition to this constitutional mandate), a whole chapter in the Municipal Systems Act, 32 of 2000 is dedicated to public participation. Chapter Seven of the Act supra mandates municipalities to develop a culture of public participation. The chapter provides a framework that includes what the municipality should consult on, mechanisms, processes as well as procedures for community participation.

The following role players are very important in the policy process: population, individuals, interest/pressure groups/association, legislative institutions, political executive institutions, research and coordinating institutions, media, international institutions and commissions (Cloete, 1998: 149-158). While most of the role players are likely to be given an opportunity to participate in the process, the population (which are the direct beneficiaries), interest groups and individuals are likely to be sidelined/by-passed. Important to note is that public participation can take place in various ways. This could be through the involvement of democratically elected representatives, individual opinion leaders, and ordinary members of the public, or through leaders of legitimate organisations in the community (Kellerman in Kotze, 1997: 52 and Meyer & Cloete in Cloete & Wissink, 2000: 104-105). It would therefore be critical for each institution to include a public participation and communication model that will be used during the policy-making process.

3.8 IMPLICATIONS FOR THE MUNICIPALITY

Policy-making is an important activity in public administration. The various definitions of policy as espoused by various authors have serious implications for the

municipality. Most importantly, it indicates that for the municipality to effectively and efficiently manage its administration, it should develop and implement certain policies, which will delimit its actions.

The fact that policy is defined as a mechanism employed to realise societal goals and to allocate resources implies that:

- In developing any policy, the municipality should be clear about the problem it intends to solve, and that this problem should be affecting the society. A policy should be developed with the intention to solve a certain societal problem.
- The objectives to be attained by such a policy should be clearly stipulated.
- Resources should be made available to implement the policy. This is because each policy would normally have financial and personnel implications.
- The policy should be informed by the overall legislative framework. Cognisance should be taken of the national and provincial legislation.
- The policy should be relevant to the environment. It should address the needs of the people and be relevant to the circumstances. This can be achieved by consulting various stakeholders and the intended beneficiaries to ensure relevance of intervention mechanisms.
- The relationship between the political structure (council) and administration (officials) is critical. Political office bearers should give strategic direction or framework according to which to operate.
- The policy of the Council has to be in line with the policy stance of the ruling party, national government as well as the provincial government.
- Policy development should take into account the implementation process (institutional arrangement & resources) as well as analysis/evaluation. It is not enough to adopt a policy that will not be implementable.
- Each policy would be influenced by various factors, both within the organisation (internal) as well as the external factors.
- A policy is not an end in itself, but rather a means towards an end.

Generally, it indicates that the political environment will play a significant role on determining the policies developed in terms of what will be done, how it will be done and what the desired outcome should be.

3.9 CONCLUSION

A policy is developed to deal with a specific societal problem. Policy-making is, as such, an important activity in public administration. This chapter looked at the definitions of a policy as well as the development process. Since the research problem is about policy development, this analysis has brought to the fore the following critical issues that have to be taken into consideration:

- Being a statement of intent, a policy should have clear objectives.
- Resources should be allocated for its implementation.
- The implication of such a policy should be well understood.
- The role of various players in the policy process should be clearly articulated.

In addition, the chapter has presented a synopsis of the different role players in the policy development process. This implies that in the process of developing any policy, the institution must consider both the external and internal environments to ensure effectiveness and sustainability.

Since a policy is developed to address a certain need, its implementation is critical. To ensure implementability, factors such as financial sustainability, governance, interest groups, compliance with the law, and the socio-economic environment should be considered when the policy is developed.

CHAPTER FOUR

NATURE AND CHARACTERISTICS OF THE INFORMAL BUSINESS SECTOR

4.1 INTRODUCTION

Economies around the world are constituted by two sectors, the formal economy and the informal economy. Within the formal economy one finds businesses that are registered and regulated. The workers in the formal economy are also protected (Chen, 2004: 19). The opposite obtains in the informal economy. The informal economy comprises economic activities that are not regulated, businesses that are not registered and offer unprotected employment relationships (Chen, 2004: 3).

The focus of the current study is on street vendors. It is, however, important to look at street vending within the broader context of the informal business sector. This is mainly because issues affecting informal businesses are the same irrespective of the type of activity in which one is involved. Due to the visibility of the street vendors, they are more susceptible to “abuse and harassment” particularly by local authorities, more so than an informal spaza shop owner or shebeen queen. Furthermore, it is extremely important to reflect on the relationship between the formal and informal sector. This is because the two sectors exist side by side, and to think that they are not related would be myopic.

The nature of the informal sector makes it challenging for authorities to determine how to deal with it. Questions such as the following can be raised: What should the policies for its management be? Who should be doing what? How is it related to the formal sector? These are normally difficult to answer.

This chapter reviews literature on the informal sector, informal economy and informal employment. There is the belief that the formal and informal economies are not

linked. The chapter looks at the linkages between the two sectors, and further assesses how the links affect how the sector is managed by local authorities. The chapter further provides a distinction between concepts such as *informal sector*, *informal economy* and *informal employment*. These concepts are so often interchangeably used, yet they have different meanings.

Case studies are analysed to assess how the sector manifests itself in other countries and how it is being managed. This assessment is important in that it provides a comprehensive view of the sector.

Furthermore, it must be acknowledged that the existence of the sector cannot be attributed to any single cause. Factors that influence the informal economy are studied to determine any policy impacts they would have on the management of the informal economy.

4.2 BACKGROUND

The role of the informal business sector in poverty reduction is critical: if the sector provides the much needed jobs, it therefore improves the quality of life of the poor. Any attempt to manage it should consider this important role of the sector, and actively determine to be developmental in nature, so as not to negatively affect it.

The informal economy has always been thought of by economists as bad news for the world economy. Authorities have viewed this sector as a nuisance to other commercial activities and to traffic, due to the fact that it takes place mainly at road intersections (Bhowmik, 2003: 02). Sometimes referred to as the underground economy, the informal economy is becoming far more important now, providing relief from the effects of the global financial meltdown (Barta, 2009). Upon studying the city of Ahmedabad in India, Martha Chen argued that the informal economy should be seen as a solution to urban decay and employment, and not a problem as is currently the case (Barta, 2009). Some authorities like those in the city of Ahmedabad who have recognized the importance of the informal sector have engaged in some

interventions in order to create more informal jobs. The approach has included providing trading space like markets at bus stops.

Despite its importance, the participants in the informal sector are generally not regulated, lack legal recognition and are not protected (Chen, 2004: 4 and WIEGO, 2005).

Some researchers argue that the informal economy is becoming a permanent element of some poorer countries. In certain instances, it is argued that this sector grows due to the inability of the formal sector to create jobs that match population growth (Barta, 2009). Despite the beliefs that the informal sector is only found in developing countries, this sector is found in developed areas like New York, Madrid, Toronto. This sector encompasses everything from street vendors, home-based workers and waste recyclers to unlicensed cab drivers (Chen, Jhabvala & Lund, 2002: 4, and Bradley in Reddy, 1995: 115).

It is also acknowledged that this sector plays an important role in economic growth and poverty reduction. In fact, the informal economy is now seen as a safe haven for a darkening financial climate. There is acknowledgement that there are insufficient economic opportunities in the formal sector. It has also been observed that employment in the informal sector grows during periods of economic crisis (Chen, Vanek & Carr, 2004: xiii). As a result, some countries consider the contribution of the informal sector when determining their economic growth (Swinburn, Goga & Murphy, 2006: 3).

It has also been observed that during periods of economic crisis, employment in the informal sector increases. For example, millions of people who lost formal jobs during the Asian economic crisis, tried to find or create jobs in the informal economy (Chen, Vanek & Carr, 2004: 24; Chen, 2004: 7 and ILO, 2002b: 10). Chen (2004: 7) indicates the role that the informal sector plays in creating jobs during tough economic times. This brings about the reasons for people to join the informal economy. While some people turn to the sector to get additional income during inflation, others turn to the sector just to get the income to survive. Others simply get

involved to supplement their formal sector income (Chen, Jhabvala & Lund, 2002: 10). Other people join the informal economy because they are unable to engage in business activities in the formal sector (ILO, 2002a: 1). These debates gave rise to three schools of thought on the characteristics of the informal sector, and how it is linked to the formal economy or the formal regulatory environment (Chen, Vanek & Carr, 2004; Valodia, 2006 and Chen, 2004).

Some schools view the informal sector as existing independently and not related in any way to the formal sector. This school of thought is referred to as the dualist school of thought. The structuralist school of thought, in contrast, views the existence of the informal sector as a result of the structural arrangement by the capitalist development. It sees the sector as co-existing and being interdependent on the formal sector. According to the legalist school of thought, the informal sector consists of entrepreneurs who choose to operate informally in order to avoid the costs, time and efforts of registration. This school of thought views the existence of the informal business sector within the perspective of licensing and regulations (Chen, Vanek & Carr, 2004: xiv & Valodia 2006: 3).

Another school of thought maintains that the informal economy sector is a transitory stage. This school of thought believes that an economy will go through the informal stage before it matures and becomes more developed. Despite all these, it is clear that the sector works under various disadvantages. These obstacles can, however, be overcome by adopting prudent and focussed policies (www.gdrc.org).

Although the schools of thought appear different, Chen, Vanek & Carr, (2004: 24) maintain that there is a need for an approach that integrates various elements of the schools. This is because while some individuals (or households) engage in survival activities that have limited link to the formal economy, other entrepreneurs choose to avoid regulations (legalistic school). Other participants are subordinated to larger firms (Chen, Vanek & Carr, 2004: 24 and Chen, 2004: 7). In fact, Chen (cited in Barta, 2009) advises that instead of viewing the sector as nuisance, authorities should see it as offering an opportunity to address urban decay and unemployment.

Bhowmik (2003: 2) makes a very interesting observation of the link between the urban poor and the informal sector participants, particularly the street vendors. In this relationship, low income groups get cheap and affordable goods from street vendors. Bhowmik maintains that in the absence of street vendors, urban poor would have to buy from expensive shops and in the process often are worse off. He goes further to say that actually the street vendors subsidise the poor.

Contrary to beliefs that the informal sector is made only of survivalist enterprises, some authors argue that in certain instances earnings for workers who moved from formal sector employment to the informal economy increased (Valodia, 2006: 3). This view is supported by Kucera & Roncolato (2008: 322), when they maintain that in some circumstances people in the informal economy get better income than some people doing formal jobs. In such cases informal workers are better off economically than even formal workers. Barta (2009) also provides a case study of a woman in Bangkok who is earning more in the informal sector than what she earned in the formal sector before she was laid off by a clothing company.

Referred to as the twilight economy, marginal economy or the underground economy, the term *informal sector* is defined in many ways by different people. Depending on the reason for analysing the sector, informality is often perceived through the lens of licensing, regulation, tax and criminal law (ILO, 2002a: 23 and Barta, 2009).

4.3 DEFINING THE CONCEPTS: INFORMAL SECTOR AND INFORMAL ECONOMY

By definition, the informal sector operates outside official rules and regulation. Sometimes it is referred to as the commodity sector or the non-formal sector. According to a report by the Global Development Research Centre (GDRC), the informal sector is an “oxymoron”. This sector is largely viewed as an unorganised “nuisance” sector whose members do not pay taxes. At the same time, it is a source of livelihood to the people because it provides jobs and increases incomes of the most vulnerable groups (www.gdrc.org). The informal sector refers to any employment and production that takes place in small and/or unregistered enterprises (Chen et al, 2005:

380). The Development Bank of Southern Africa (cited by Bradley in Reddy, 1995: 115) defines the informal sector as being all people who are active in unregistered enterprises.

What we commonly know as the informal sector used to be known as the traditional sector. The term informal sector was first coined by the British economist, Keith Hart in 1971 when studying economic activities in urban Ghana (Chen, Vanek & Carr, 2004: 23; Valodia, 2006: 1 and ILO, 2002b: 10). This term was later used by the International Labour Organisation (ILO) to refer to small scale farmers and unregistered economic activities. The ILO used the term to describe the activities of the working poor which were not recognised, recorded, protected or regulated by the public authorities (ILO, 2002a: 1). According to Valodia (2006: 1), the term informal sector was used to describe a range of subsistence activities of the urban poor. In terms of the definitions, the key words that describe the sector can be summarised as lack of recognition, lack of protection, activities and outputs not recorded and not governed by any law. Valodia, Lebani & Skinner (2005: 15) provide the following criteria for informal sector enterprises as adopted by the 15th International Conference for Labour Statisticians (ICLS):

- Enterprise not registered in terms of national legislation.
- Employees in the enterprise not registered as per the requirements of the labour legislation.
- Enterprise employing a small number of employees.

Considering these criteria, one can conclude that an informal business enterprise is an enterprise where both the enterprise and the employees are not registered in terms of applicable legislation. With regard to the number of employees, there could be reservations. For example, if a business is registered and has only three employees registered as per labour legislation, could such an enterprise be classified as informal? The other challenge is with regard to the registration of employees. Following the ushering of democracy in South Africa, the majority of previously disadvantaged people have registered businesses, particularly close corporations, as per the applicable legislations. Although these businesses are registered in terms of the national legislation, their employees are in most instances temporary workers and not

registered. Considering the ICLS definition, would such a business then be classified as informal, given the number of employees and their registration status? What is clear is that it is not easy to define an informal business enterprise based on the three ICLS criteria. One can argue that the informality of the enterprise should then be limited to the registration of the business enterprise itself. Issues relating to the status of the employees as well as number of employees should perhaps only be used for classification of business as per the provisions of the 1995 White Paper on the Promotion of Small Business in South Africa.

Overall, informal business enterprises activities are defined as a way of doing things characterised by (ILO, 2002a: 23; Gugler in Gilbert & Gugler, 1992: 96 and Valodia, 2006: 1):

- Ease of entry.
- Family ownership of the enterprise.
- Small scale of operations.
- Labour-intensive and adapted technology.
- Skills acquired outside the formal school system.
- Unregulated and competitive markets.

The definition of the informal sector during the early days referred only to the activities undertaken by enterprises. As time progressed, the informal sector was expanded to include both the enterprises and the inhumane informal working conditions (informal employment relations) of the workers in this sector (ILO, 2002a: 2). The definition of informal sector was then expanded to include both enterprises and the employment informal relations as well. This expansion led to the adoption of a new concept, *the informal economy* (Chen et al, 2005: 38 and ILO, 2002a: 2). In terms of this expansion, the informal economy looks at the nature of employment relations, in addition to the characteristics of the enterprises. The informal economy is therefore that part of the economy that comprises informal employment, that is, employment where the workers do not have secure employment contracts, benefits or any social protection (ILO, 2002b: 12 and Valodia, Lebani & Skinner, 2005: 15). Valodia, Lebani & Skinner (2005: 15) argue that using the term informal economy as opposed to informal sector assists in addressing arguments regarding the linkages between the formal and informal economies. The use of the concept *informal*

economy indicates that the sector is part of the overall economy, although it does not conform and comply with certain prescribed norms and standards.

In the past, there was the belief that the informal sector was not permanent, that it would disappear. It was believed that if countries introduced right economic policies and resources, the informal sector participants would ultimately “graduate” and become formal enterprises (Chen, 2004: 4 and ILO, 2002b: 9). It was felt that the informal sector would disappear once a country achieves sufficient levels of economic growth (Chen, Vanek & Carr, 2004: 23, Chen, 2005: 5 and ILO 2002b: 10).

Despite these earlier beliefs that the informal sector was temporary, studies conducted in Kenya and Ghana found out that the informal sector was efficient, creative and resilient. The studies indicated that contrary to the belief that the informal sector would disappear, it actually expanded overtime (Chen, 2004: 5 and ILO 2002b: 10). Although this was the case, there were arguments that the informal sector is marginal or peripheral and not linked to the formal sector in any way. It is, however, interesting to note the new pattern of the modern (capitalist) economy, which made the informal economy a permanent, although subordinate and dependent feature of formal sector (Chen, 2004: 7 and ILO, 2002b: 10). This has been through, for example, big companies subcontracting production of goods and services to small scale informal units (Chen, Vanek & Carr, 2004: 24).

Despite earlier beliefs that the informal sector was a temporary phenomenon, it is greatly acknowledged today that it is a permanent feature of economies. In fact, as noted, the sector has continued to grow in new forms (Chen, Vanek & Carr, 2004: 25). An expanded definition of informal economy has also been developed. This definition encompasses all forms of “informal employment”. This has moved the focus from unregulated enterprises to include employment relationships that are not regulated, recognised or protected (Chen, Vanek & Carr, 2004: 26 and ILO, 2002a: 2).

These developments have led to a new thinking, which should ultimately inform the approach to the management of the informal economy. The table below indicates the

shift in thinking on how the informal economy was viewed in the past and the current thinking:

Table 4-1: Old and new views about the informal economy

The Old View about the informal economy	The New View about the informal economy
The informal sector will disappear with industrial growth.	The informal sector is “here to stay” and is expanding. It is a permanent feature of economies, whether developed or undeveloped.
The informal sector is only marginally active.	The sector contributes significantly to GDP and is the main provider of employment, goods and services for low-income families.
The informal economy exists separately from the formal economy (dualist school of thought).	The two economies are linked in several ways, for example, through production, trading and distribution channels.
It provides a pool of labour for the formal economy.	The increase in informal employment is due to the inability of the formal economy to absorb employment seekers. It is also as a result of informalisation of employment relationships by big companies.
The economy comprises of street traders and very small producers.	The sector comprises a wide range of activities, from old traditional forms to new sophisticated ones like high tech home-based industries (as evidenced in developed countries).
Most participants choose to operate in the sector in order to avoid regulation and tax (legalistic school of thought).	Goods and services produced in the sector are legal although their production is not regulated. Should the barriers to registrations and other related costs be reduced, most entrepreneurs could consider registering.
Work in the sector is mainly survivalist and not affected by economic policies.	Although survivalist activities are prevalent, the sector comprises also productive businesses, whose success or failure depends on the economic policies. Further, it is the

The Old View about the informal economy	The New View about the informal economy
	economic policies and climate that shape the informal economy.

(Source: Chen, 2004:15-16 and Chen, Vanek & Carr, 2005).

4.4 LINKAGES BETWEEN THE FORMAL ECONOMY AND INFORMAL ECONOMY

The informal sector plays an important role in creating jobs for the unemployed. According to Valodia (2006: 1), informal employment in South Africa increased from 965 000 to just over 2.3 million workers between 1995 and 2005. This contributed to an increase from 10 percent to 18 percent of the total employed workforce, which excludes subsistence agriculture and domestic work.

These figures provide some basis for intervention taking into account the national target of halving unemployment by 2014 as provided for in the Accelerated and Shared Growth Initiative of South Africa (ASGISA, 2007). It could mean that the state would have to deliberately create an environment conducive to the creation of employment in the informal economy, in line with formal employment.

For a very long time, it was believed that the informal sector was marginal and not linked to the formal sector. According to Valodia (2006: 3), the term informal sector encompasses different *types of activities* (like trading or manufacturing), *different employment relations* (self-employed or paid) and *different economic potential* (survivalist activities or successful small enterprises). It is important to note that the informal and formal economies, although distinct, are integrally linked. The linkages are either direct or indirect. For example, the majority of the informal operators are linked to the formal operators either supply or customer networks (Valodia, 2006: 2). This could be through large factories that reorganize their work, forming flexible and specialised units, some of which are not registered and informal. In certain cases, to reduce costs, some firms operate with a small group of people while the rest of the

employees are casual and informal (ILO, 2002a: 2). In some instances, vendors are linked to big businesses (multinational chains). An example of this is companies such as Coca Cola, which rent out kiosks to the street vendors (ILO, 2002a: 16).

The debate as to whether the informal sector is temporary or permanent, or whether it is linked to the formal economy and the regulatory environment, gave rise to three schools of thought. These schools of thought view the relationship between the two sectors differently (Chen, 2004: 20; Chen, Jhabvala & Lund, 2009: 6; Chen, Vanek & Carr, 2004 and Valodia, 2006: 2-3):

- The dualist school sees the informal economy as a set of marginal activities that provide incomes to the poor who cannot access employment in the formal sector. This school of thought does not see any linkage between the two sectors, but rather view the sectors as existing parallel and independent of each other.
- The second school of thought is the structuralist school. Advocated by authors like Caroline Moser and Alejandro Portes, this school of thought views the informal economy as a set of subordinated economic units used to reduce the input of labour costs of the large, formal enterprises. According to structuralists, the two economies are intrinsically linked, with the informal economy providing cheap goods and services to the formal economy. In this view, growth in the formal economy partly depends on growth in the informal enterprises.
- Hernando De Soto represents the third school of thought, the legalist school. In terms of this school, participants in the informal economy choose to operate in the informal economy, thereby reducing their costs while increasing their profits. The focus of this school of thought is more on the regulatory environment.

Valodia (2006: 3) indicates an important principle that acknowledges that there is a relationship and linkage between the two sectors. The relationship, however, differs from one country to the other. For example, in South Africa, the informal sector increased as a result of urbanisation and lack of opportunities in the formal sector. In Brazil, the sector is large due to many firms seeking to avoid a heavy tax burden and

onerous regulation (Valodia, 2006: 3). In India, for example, street vendors provide a market for the formal industries (Bhowmik, 2003: 2). Taking into account the various schools of thought (dualist, structuralist and legalist), one can conclude that the reason for participation in the informal economy could depend on the regulatory environment, and that this would have an effect on the type of relationship/linkage that would exist between the informal enterprise and the formal sector.

A study conducted in the Durban area, for example, provides useful indicators of forward and backward linkages in the informal economy. This mainly comes in the form of informal businesses purchasing raw materials from the formal business. According to the study, certain informal activities like spaza shops, shebeens and crèches were more strongly linked to the formal sector than others, for example, those working with traditional medicine (Valodia, 2006: 5). According to a report by ILO (2002a: 37), a study of waste pickers in India (Pune) found that there was a linkage amongst waste pickers, traders, wholesalers and the formal recycling companies.

The other linkage is through the employment relationships such as the sweatshop production, part-time workers, home workers and others. In this instance, the workers in the informal sector are dependent on someone (in the formal sector) for inputs, equipment and sale of final products. In some instances, people work from home under subcontracting arrangement: street vendors sell merchandise for formal firms on commission, or someone who is a cleaner in the offices of formal businesses (ILO, 2002a: 38).

The reality is that although the informal economy is heterogeneous (just like the formal economy), there is no clear line separating the formal from the informal. Both sectors are linked either through supply of inputs or demand of goods and services. This implies that instead of viewing these two sectors as separate, they should rather be viewed as parts of the same system (the entire economy), which has formal and informal ends (Skinner, 2006: 128). It is clear that the two economic sectors are linked. The important thing to consider is whether such linkages or relationships are mutually beneficial or just exploitative. The concern for policy should therefore be to enhance positive linkages and decent work (ILO, 2002a: 38).

It is also important to understand the contention that economic activities are deeply embedded in the matrix of social and cultural relations. It is maintained that the specific characters of these societal relations more often determine human behaviour than the incentive structures normally proposed by mainstream economists, as depicted by the whole economy model developed by Friedman (cited in Martinussen, 1997: 311). The model indicates how households are placed in relation to the two types of economy, the capital accumulation and the subsistence economy. The area of overlap is the informal sector, which may produce to both the organised market economy and civil society. In terms of this model, the informal sector is characterised by small units that produce, repair or render services to other sectors, to other units within the sector itself, or directly to the households. This model underlines a number of points of particular relevance to poor households. Central to it is that household's production of livelihood implies a merging of economic activities and other life generating forces and activities. The model shows that some economic activities are not geared to limitless accumulation but to creating a livelihood for the producers and their households (Martinussen 1997: 311). This understanding is crucial for the development of a proper policy that will strengthen the job creation and economic capabilities of the informal business sector.

The linkage between the two economies and how they are related is important for policy development. There are arguments that the informal sector has acted as a stop gap to address failures of the various development strategies, maintaining that the informal economy provides alternative jobs to people retrenched by the formal economy (ILO, 2002b: 10). Furthermore, it has been observed that even when economies become modern and create jobs, in most instances the disadvantaged do not benefit from such changes. Instead, in order to increase profits, some companies opt to create "bad jobs" by using more casual labourers or subcontracting from the informal sector.

The section below looks at the effect of several development paradigms adopted by countries in an effort to deal with developmental challenges. It assesses how the various development paradigms have affected the growth of the informal economy, as well as how the informal economy assists where the formal economy fails.

Growth: In terms of this development paradigm, countries would focus on increasing economic growth with the assumption that all sectors of the economy will benefit (Srinivas, undated). According to Todaro (1992: 489), economic growth can be defined as a process by which the productive capacity of a country is increased to bring rising levels of national income. Interestingly though, there was no agreement among specialists on what the most important sources of growth were or how the process should be implemented (Martinussen, 1997: 56-57). Arguments about barriers to growth differed from limited markets, lack of capital investments, lack of entrepreneurship and lack of management capacity in developing countries (Martinussen, 1997: 57-59). Despite all the efforts to propel growth in various countries, the growth still did not reach all sectors. Instead, disparities increased, thereby giving rise to the failure of the trickle-down growth (Srinivas, undated). The growth resulted in increased poverty levels and high unemployment. In this instance, most people resort to the informal sector to generate some income, thereby leading to an increase in the size of the informal economy.

Growth with Distribution/Equity: In terms of this paradigm, economic and developmental strategies emphasised equitable distribution or equity in order to address developmental challenges (Srinivas, undated). This paradigm can be linked to the three crucial issues identified by Professor Dudley Seers (cited in Martinussen, 1997: 293-294 and Todaro, 1992: 99-100) as being the important indicators of development in an area. These indicators are unemployment, poverty and inequality. Perhaps this could be the reason South Africa adopted Growth Employment and Redistribution (GEAR), as its economic strategy to address issues of unemployment, poverty and inequality. Even with the “growth with distribution” approach, the growth normally fails to be equitably distributed. The poor and less educated continue to miss on the fruits of the growth. Srinivasan (undated) argues that it is the informal sector that ensures equitable distribution of income among the poor, mainly because it is the informal sector that absorbs the poorly skilled and uneducated migrants in the city.

Employment Generation: The employment generation paradigm was propelled by what has been characterised as jobless growth, which is growth that did not result in

the creation of the much needed jobs (Martinussen, 1997: 314). This fact is further stressed by Chen, Vanek and Carr (2004), when they argue that in the 1970s, it was observed that economic growth did not automatically translate to jobs or other benefits for the poor. Even with economic growth, the multitudes of unskilled people could not be absorbed by the formal sector. According to Martinussen (1997: 315), most people search for their livelihoods outside the formal economy because of this jobless growth. In contrast, the informal sector has been able to absorb these people (Srinivas, undated).

Appropriate Technology: According to Srinivasan (undated), one of the challenges of various strategies developed to create employment is that they never address the issue of appropriate technology. This was later changed and emphasis was placed on appropriate technology as a critical ingredient for success. Srinivasan (undated), argues that where the formal sector has failed, the informal sector has been able to successfully address this challenge. According to Srinivas, the informal sector applies appropriate technology all the time, using the local resources, re-using and recycling waste material efficiently, and not using scarce resources.

Human Resource Development: In the quest to propel development, it was discovered that one of the challenges facing developing countries was lack of appropriate skills to use the technology, or to even implement policies (Srinivas, undated). This is because of the critical and important link between education and economic growth. Unfortunately, most developing countries have not been able to produce enough middle and high level skilled manpower (Todaro, 1992: 300). This is currently the case in South Africa. There is an outcry about lack of skills required by the economy. As a result, several initiatives have been adopted, including the implementation of the Joint Initiative on Priority Skills Acquisition (Jipsa), showing an acknowledgement that the skills shortage is limiting the country's GDP growth (Behar, 2006: 4). According to ILO (2002a: 29), in high- tech countries, people without high skills are absorbed by the informal economy. In contrast, the informal economy continues to absorb people with little or no skills (Srinivas, undated). In fact,

various studies have revealed that the majority of the participants of the informal sector have little or no formal education at all.

Basic Needs: The thrust of most development strategies hinges around the provision of basic needs (Srinivas, undated). The Constitution compels all spheres of government to assist communities to attain socio-economic rights. Basic needs include, firstly, individual and family needs (food, shelter, clothes); secondly, access to public services (water, sanitation, health, education) and thirdly, access to participation and influence in decision-making in the local community (Martinussen, 1997: 298-299). The reality is that to satisfy these needs, one must first deal with the issue of economic poverty. If you do not have a job or source of income, it becomes impossible to satisfy the needs. In a country like South Africa characterised by low skill levels, the majority of people cannot be absorbed by the formal sector. Instead, it is the informal sector that absorbs such people, providing them with incomes to address some basic needs (although not all the time).

4.5 REASONS FOR JOINING THE INFORMAL ECONOMY

There exists a strong link between the informal economy and poverty. In most instances, the most poor people work in the informal economy. This is because on average, the earnings and benefits are lower in the informal economy than they are in the formal economy (Chen, Vanek, Carr, 2004 & ILO, 2002a: 31).

It is often argued that in order to deal with poverty, more employment opportunities must be created, since in most cases, the poor people are unemployed. It is therefore important for countries to promote economic growth in order to deal with the challenge of poverty. Jagdish Bhagwati of Columbia University (2001, cited in Rao, 2004: 37) sets out three central reasons in support of the belief that economic growth is a critical condition to poverty reduction:

- Economic growth provides economic opportunities which create jobs that “pull up” the poor into gainful employment.
- Growth provides the state with the necessary revenue to provide more services (such as building schools and health facilities for the poor).

- Economic growth creates the incentives that enable the poor to access social facilities. It further enables the state to advance progressive social agendas.

These views are aligned to the Washington Consensus, which paid little attention to issues of distribution or fairness. Instead, the approach subscribed to the trickle-down view of poverty reduction (Rao, 2004: 37). This debate around economic growth and poverty has led to the realization that growth *per se* was not producing enough jobs to absorb people of working age. An earlier discussion on the development paradigms has indicated that the trickle-down effect does not work, and that governments should deliberately adopt economic policies to manage the growth as well as social policies to redistribute the growth (Srinivas, undated). According to Chen, Vanek and Carr (2004: 3), policies should promote economic growth with opportunities, rights, protection and a voice for the poor.

There are many reasons that make people join the informal sector. In most cases, it is about survival (Chen, Jhabvala & Lund, 2002: 11). Most people join the informal economy because the formal economy cannot employ them. A survey conducted by the ILO in Dar es Salaam found that 41 percent of the participants worked in the informal economy involuntarily as they could not find any work, or that they had been laid off, while others (30 percent) needed additional income (Chen, 2005: 7 and ILO, 2002a: 17-18). Although the informal sector creates jobs, the jobs are unfortunately not secure, protected or recognised compared to the decent jobs in the formal employment (ILO, 2002a: 1).

In some instances, people move to urban areas in search of better economic opportunities and access to social facilities. These people end up working in the informal economy when they cannot be absorbed by the formal economy. For example, according to a report by the ILO, the urban informal employment grew from 52 percent in 1990 to 58 percent in 1997 in Latin America (ILO, 2002a: 17-18). This growth was attributed to many factors, such as an increase in the rural-urban migration, a decline in the number of people that can be employed by the formal economy or even to many women becoming active in economic activities. The increase was mainly recorded in micro and small enterprises, possibly because ease of

entry into the small enterprises. Other people move to certain parts of their countries as a result of conflicts in their areas (ILO, 2002a: 18). According to Tokman (1992, cited in Chen, 2004: 7), employment in the informal sector tends to grow during periods of economic crisis.

Chen et al (2005: 71) identify various causal factors that make people join the informal economy. They maintain that there are those that enter the sector either by choice, necessity or by tradition. Those who join the sector by choice include those who want to avoid taxes and registration (legalistic school of thought), or because they prefer flexible and convenient working terms. Those who join the sector by necessity include people who cannot find a formal job, or do not get sufficient income where they work. Traditional informal workers are those who follow in the hereditary occupation of their families or receive a calling, such as traditional healers (Chen et al, 2005: 71).

Kucera and Roncolato (2008) introduce the concepts of *voluntary informal employment* and *involuntary informal employment*. Voluntary informal employment refers to instances where people join the informal sector by choice or tradition. Where people participate in the informal business sector by necessity; one can talk of involuntary informal employment.

Despite the reason for joining the informal economy, participants are likely to be characterised as follows (Chen et al, 2005 and ILO, 2002a: 3):

- Have limited access to basic infrastructure and social services.
- Have lower levels of health and education.
- Possess fewer rights and employment benefits.
- Have less access to financial, physical and other productive assets.

Any policy to successfully manage the informal sector should therefore have a better understanding of the causal factor so that it can be relevant.

4.6 CHARACTERISTICS AND NATURE OF THE INFORMAL ECONOMY

The informal economy consists of various workers in activities that are more survivalist in nature. These include street vendors, garbage collectors, domestic workers or self-employed workers in the micro enterprises. As a result, within the informal economy there are various categories. There are those that are engaged in survival activities, while others are self-employed and involved in more productive activities. This distinction is important in that it should inform strategies adopted to help the sector (ILO, 2002a: 2-3).

According to Bradley (in Reddy, 1995: 153), activities in the informal sector can be divided into several categories:

(i) *Trade activities* include activities of hawkers and street vendors of fruit and vegetables, flowers, hand-made articles, etc. Shebeens and spaza shops also fall into this category. Access to this type of activity is relatively easy and does not require specific training.

(ii) *Production and construction activities* include the production of food items, the manufacturing of furniture and clothes as well as construction activities such as fencing, plumbing, painting and self-help housing, all of which rely on technical training or basic skills.

(iii) *Services and service industry* refer to activities like panel-beating, hairdressing, beer brewing, photography, child minding, car washing, and sangomas (traditional doctors).

(iv) The *financial services* constitute activities like the stokvel system, burial societies, and *mashonisa* (cash loans from individuals, with interest).

(v) “Immoral” or “illegitimate” activities are those for which permission cannot be obtained like prostitution; drug trafficking, pornography and gambling.

Generally, most informal enterprises face the following challenges (Chen, Vanek & Carr, 2004 and ILO, 2002a: 3):

- Receive little or no protection as they are not recognised.
- Cannot enforce contracts.

- Have no security of property rights.
- Not organised and thereby unable to participate meaningfully in government initiatives or have their voice heard.
- Little access to public infrastructure.
- Rely on informal, often exploitative institutional arrangements.
- Incomes are low and irregular.
- Majority of the people working in the sector are poor.
- Women working in the sector are poorer than men.
- The sector suffers from harassment from authorities. The harassment comes in the form of bribes, extortion and repression.
- Low standards of human development.
- Greater financial risks and social exclusion.

Despite these challenges, the majority produce goods and services that are legal. Of interest is that although the sector is informal, the participants have their own political economy. This is normally in the form of informal or group rules, stokvels, trading, providing loans, skill transfer and many others (ILO, 2002a: 3). Any policy on regulating the sector must understand and recognise the political economy and respond to it, otherwise it will be irrelevant.

It is also important for strategies and policies to improve the working conditions of the participants. This means promoting employment opportunities that are accompanied by the rights, protection and voices of the participants. It is argued that improving the working conditions of the participants will lead to significant poverty reduction (Chen, Vanek & Carr, 2004).

According to Chen, Vanek & Carr (2004) any policy or poverty reduction strategy should take into account the fact that poverty can only be reduced by promoting decent work. The authors note with concern that this factor has not been taken into account, hence employment is not a target or indicator under the goal of eradicating extreme poverty and hunger (Chen, Vanek & Carr, 2004: 14).

Any discussion of the informal sector would be incomplete without looking at how it differs from the formal sector. This is because the two sectors are integrally related

and can actually be referred to as the two sides of the same coin, with the coin being the economy. As Chen (2004:11) argues, the informal economy is a basic component of the total economy.

The table below provides criteria that distinguish the formal from the informal enterprises:

Table 4-2: Distinction between the formal and informal enterprises

Formal Enterprises	Informal Enterprises
<ul style="list-style-type: none"> • Enterprise registered in terms of national legislation. • The operations are capital intensive. • Means of production is privately owned and operated by labourers for the benefit of the small owning class. • There is a clear division of labour that is normally hierarchical in structure. • Workers are registered in terms of applicable labour laws and thereby enjoying protected employment relations. • Protected markets. 	<ul style="list-style-type: none"> • Enterprise not registered in terms of applicable national legislation. • Means of production and techniques of production are labour intensive. • The means of production are generally owned by those who operate them. • Rudimentary division of labour which is more horizontal. • There is considerable freedom of entry, both for employees and entrepreneurs, with no institutional restrictions, such as professional qualifications and patent rights. • The workers work under unstable, part-time and unprotected employment relations. • Unregulated and competitive markets.

(Source: Bradley in Reddy, 1995:115 and Gugler in Gilbert & Gugler, 1992: 96).

As reflected in the table above, the main distinguishing factor between formal and informal enterprises is the legal status in terms of registration. It should also be mentioned that although the assumption is that in formal enterprises the workers are registered, there could be instances where the workers are not registered. As a result,

although they operate in the formal business environment, they would still be exposed to unprotected employment relations just like workers in the informal economy.

The informal economy is not a feature of less developed countries alone, but is prevalent in developed countries as well. According to a report by ILO (2002a: 23), it is estimated that around 1998, informal activity accounted for between 7 and 16 percent of the European Union GDP. This is approximately 10 to 28 million jobs, which is 7 to 19 percent of total employment. The discussion will now look at the state of the informal economy in various countries.

4.7 CASE STUDIES

The existence of the informal economy can be attributed to several factors such as high business taxes, legislation that does not respond to new types of work, unfriendly procedures for registering jobs, as well as declining sector using this unregistered labour in order to survive competition. To fully understand how the informal economy manifests itself in various countries, several case studies have been analysed. The objective of the analysis was to assess how the sector has developed in various countries and the contribution of the informal sector to employment and GDP. The ILO conducted studies on the informal economy in various countries, and the findings are summarised below (ILO, 2002a: 18-25).

4.7.1 Latin America

- Informal employment increased from 52 percent in 1990 to 58 percent 1997. The increase was mainly in the micro and small enterprises. This increase was attributed to several factors such as demographic factors, rural-urban migration as well as contraction of employment in the formal economy.
- Those classified as informal employees (with no contract with employers) lack social protection.
- More females (66 percent) than males (59 percent) were informally employed.

- There was a high incidence of child labour (10-14 years) in the informal sector, with countries like Brazil as high as 15 percent.

4.7.2 Central and Eastern European Countries

- The informal sector in these countries has many forms, from subsistence activities and unregistered labour to illegal and criminal activities.
- The informal economy has grown substantially due to several factors like closure of state-owned enterprises, legal reforms that fail to consider the new economic situation and poor enforcement mechanisms.
- Most participants were poorly paid, and practising as individuals as opposed to businesses.
- In countries with reasonable unemployment benefits and more job opportunities (like Bucharest), there was less incentive for people to participate in informal activities.
- In rural areas, people participated in the informal activities for sheer survival.
- When the formal economy performed well and opened up more job opportunities, participation in the informal sector declined in countries such as Poland.
- In Russia, it was found that 11 percent of the employed people engaged in informal employment as their main activity.

4.7.3 Asia

- When the manufacturing industry expanded creating jobs, the informal economy declined in countries like Japan, Republic of Korea, China and Singapore.
- In Bangkok, the informal economy declined (from 60 to 57 percent) when there was an economic boom (between 1980 and 1994), but climbed back from 57 to 60 percent during the economic recession.

- The composition of the informal sector changed with an increase in small enterprises due to an increased demand for goods and services during the economic boom.
- In some instances, the informal economy increased when the economy performed better as a result of an increase in opportunities (linkages).
- Survivalist activities increased during periods of decline,
- Countries like China developed policies that actively promote the informal sector to accommodate the urban laid off employees, rural migrant workers, school drop-outs and many more.
- Informal economy participants in Mongolia listed several challenges they faced. These include low consumer purchasing power, corruption by government officials, a bureaucratic business environment and the lack of financial capital.

4.7.4 Advanced Industrialized Countries

In European countries, the informal economy is referred to as the underground economy, and its extent differs from country to country. The following observations emerged from the study conducted by ILO:

- In some states like Italy and Greece, the underground economy contributed in excess of 20 percent of GDP.
- In countries like UK, Belgium, the participants of the informal economy were young, skilled males.
- In Southern Europe, undeclared workers were mainly young people, women home-workers and illegal immigrants.
- In the US, informal employment was high in sectors like electronics, and garment manufacturing.
- Japan had a high number of informal workers and a high informal economy. The majority were women engaged in family work and home handicraft.

4.8 LESSONS FROM THE CASE STUDIES

The following observations can be deduced from the case studies above:

- The informal economy or underground economy as referred to in the EU countries is a permanent feature of economies. It is prevalent in both developed and developing countries, despite belief that when countries develop, the informal sector will disappear.
- In developed countries, the sector is comprised of productive enterprises and not just survivalist activities. This indicates the sector's potential for growth.
- Unlike in less developed countries, the participants in developed countries are skilled. This could mean that they are voluntary informal workers since their participation is by choice.
- The informal economy can also grow during periods of economic growth due to a many opportunities for small and micro enterprises to supply goods and services to the formal sector. During this time, it is productive enterprises that grow, supplying the formal economy with goods and services. This shows that the formal economy and informal economy are linked.
- The majority of the participants are women.
- The workers in the informal economy lack protection.
- In instances where informal activities increase due to bad economic climate, the participation is mainly for survival.
- An increase in informal activities is in most cases a result of migration to the urban areas (rural-urban migration). Urban areas are therefore likely to have a bigger informal economy than rural areas. This will have an impact on the spatial plans of urban areas.
- Generally, in a good economic climate, with the formal economy creating jobs, the informal economy shrinks. This means that in most cases, the sector is a stop gap measure to address poverty associated with no income. Policies to manage the informal sector should always take this into consideration.
- Countries acknowledge the existence of this sector and provide policies for their management. For example, China has a policy that promotes the informal

economy. The European Commission adopted a policy entitled *Communication on Undeclared Work* to deal with the informal sector (ILO, 2002a: 23).

- Like the formal economy, the informal economy is also affected by the economic climate. Generally, on the one hand, when there is an economic crisis (like a recession), the sector grows as more people are laid off. On the other hand, during periods of economic boom, informal productive enterprises can also grow due to the increased need for goods and services by the formal sector.

4.9 FACTORS AFFECTING THE INFORMAL ECONOMY

The informal economy is heterogeneous. Its size and composition is dependent and influenced by various factors. Its existence can therefore not be attributed to a single cause (ILO, 2002a: 27 and Valodia, Lebani & Skinner, 2005: 14). It is therefore important for each municipality to analyse and consider various factors when developing a policy for managing the informal economy. This section highlights some of the factors that shape the informal economy:

4.9.1 Legal and Institutional Frameworks

Informality is often described in terms of lack of registration and activities operating outside the law. This could be linked to the legalistic school of thought that ascribes the reason for informality to unwillingness on the side of entrepreneurs to conform and thereby avoid related costs (Chen, Vanek & Carr, 2004 and Valodia, 2006: 3). According to a report by ILO (2002a: 27), three types of legislation affect the informal economy: (i) business regulations that govern the establishment and operations of enterprises; (ii) laws regarding property rights, and (iii) labour legislation that governs employment relationships and worker protection. How these legislations and institutions are structured and operate will surely contribute to the size and composition of the informal sector. For example, in an environment that is conducive to business and investment, formal activities are likely to grow. In an environment where it is costly or too bureaucratic to register a business, most entrepreneurs might decide to operate informally.

In developing a policy for managing the sector, the municipality should do a thorough assessment of the regulatory environment. This should be at both the local, national or provincial levels as these will surely be manifested at local level (ILO, 2002a: 28). The broader local economic development strategy must be seen as the backdrop, since the informal sector also contributes towards economic growth.

4.9.2 Economic Growth

The informal economy contributes to economic growth. According to ILO (2002a: 30), in Sub-Saharan Africa, the informal economy contributed between 7 and 38 percent of the total GDP. In India, the contribution is as high as 62 percent of GDP. It is estimated that in South Africa, the contribution could be as high as 12 percent (Valodia, 2006: 4).

One of the factors that contribute to an expansion of the informal sector is when the formal economy does not create enough jobs for those seeking employment. In this instance, people might start their own businesses in the informal economy. In some countries, growth in high-technology sectors relegates people without high skills. The people are absorbed by the informal economy. To harness this potential for job creation and contribution to economic growth, government policies to manage the sector should lead to the creation of productive employment (Bhowmik, 2003 and ILO, 2002a: 29).

4.9.3 Economic Policies and Economic Climate

According to the report by ILO (2002a: 30), one of the factors contributing to an increase in the spread of the informal economy is as a result of high poverty, unemployment and underemployment. This situation can arise due to the emergence of certain economic policies, like the Structural Adjustment Policies introduced in the 1980s and 1990s.

In the Asian countries, for example, the informal economy grew during the economic crisis in the 1990s. As more and more companies closed or retrenched workers, more people joined the informal sector. In Thailand, when there was an economic boom,

most people were involved in productive activities (although informally) like furniture manufacturing. With the recession, there was an increase in marginal economic activities (Chen, 2004: 7 and ILO, 2002a: 30).

In developing a policy for managing the informal sector, provision should be made to provide support that responds to the economic situation. For example, during an economic boom, more advanced support could be required to assist productive activities. In contrast, during periods of economic recession, survival activities are more likely to increase, requiring a different management approach. What this implies is that municipalities must adopt flexible policies so that they can respond effectively.

4.9.4 Poverty

When you are poor, you cannot afford to be unemployed. As a result, you will accept any job to stay employed, even if the job is informal (ILO, 2002a: 31). Thus, when poverty increases, even the informal economy increases. This however does not mean that all those employed in the informal sector are poor, or that all those employed in the formal economy are doing well. As Kucera & Roncolato (2008: 322) maintain, there are poor workers within the formal economy. This fact is further supported by ILO (2002a: 31), which maintains that there are self-employed people who get better salaries than formally employed unskilled and low-skilled workers. It is, however, a fact that poverty makes people to accept unattractive jobs in the informal economy. Since jobs are linked to meagre income, the cycle of poverty continues.

Any policy to manage the informal sector should therefore take into account the following (ILO, 2002a: 31):

- The majority of the participants are poor (so might need welfare assistance as well),
- The incomes are on average low. Any taxes levied upon the participants could kill the businesses/initiatives.
- Policy that aims to address informal economy while reducing poverty in the rural areas should consider rural agriculture.

- Women are more affected by poverty than men, and are concentrated in lower-income segments.

In developing the policy, care should be taken to ensure that the policy addresses problems faced by the informal sector and provides decent work. This would assist to eradicate poverty. Furthermore, the policies should enable the participants to move to more productive, protected and decent work (ILO, 2002a: 32).

4.9.5 Demographic Factors

Various demographic factors like size of labour-force, level of education and the skills of those searching for employment, migration from the rural to the urban areas and rate of urbanisation, affect the growth of the informal economy (Chen, 2004: 7 and ILO, 2002a: 32). For example, when entering the informal sector, most females are found at the lower end with less income. This can be attributed to factors like inadequate education and training as well as lack of access to productive resources (ILO, 2002a: 32). In most instances, people migrate to urban areas in search of better job opportunities. When the expectations are not met, they end up in the informal economy (Bhowmik, 2003). To develop an effective policy for managing this sector, the municipality should do a thorough assessment of (ILO, 2002a: 32):

- The education and skills levels of its residents. The lower the education level, the more chances of getting into the informal economy.
- The rural-urban migration.
- The growth of the labour force.
- The rate of urbanisation. This implies that to decrease the migration, conditions in the rural areas should be improved.

4.10 POLICY IMPLICATIONS

It is acknowledged that the informal economy contributes significantly to poverty reduction and economic growth. For this to be attained, however, authorities should develop innovative policy responses that acknowledge the informal economy as a basic component of the total economy. Any approach to policy development will

depend on how the role of the informal economy in economic and social development is viewed by authorities. If on the one hand, the sector is viewed as a “cushion” for economic crises, the approach will tell. On the other hand, if the sector is viewed as a source of entrepreneurial growth, the approach to its management will be progressive. According to Chen et al (2005: 87), each perspective will determine government’s approach. Furthermore, the policy should focus on two pillars of the informal economy, being the enterprises themselves as well as the workers. This has given effect to some of the policy debates outlined hereunder. For the purposes of this study, however, the debates are limited to the role of local government:

4.10.1 Regulating the informal economy

Governments currently regulate the formal economy. The question in this regard is whether and how should government regulate the informal economy (Chen et al, 2005: 87). Different approaches are pertinent. The legalistic route maintains that government should make legalisation easy and less bureaucratic to encourage registration (Mitullah, 2003: 10). The International Labour Organisation (ILO), United Nations Development Programme (UNDP) and United Nations Development Fund for Women (UNIFEM) identified the following roles for government: (i) promoting economic opportunities; (ii) development of appropriate regulatory and legal frameworks; (iii) promotion of social dialogue to increase representation of informal workers, and (iv) extending social protection (Chen et al, 2005: 87).

4.10.2 Formalisation of the informal economy

There is the question of whether all businesses should be formalised, that is, should all be licensed, registered and pay taxes (Chen et al, 2005: 88). Should this be the approach, then the municipality (bureaucracies) should have the capacity to handle it. It also means that municipalities should further simplify the registration process. In addition, there should be incentives offered to the informal businesses just as the formal sector receives incentives (Chen et al, 2005: 88).

4.10.3 Promoting informal businesses

The contribution of the informal economy as a source of people's livelihoods and to economic growth is important. To this effect, the goal of any policy for managing the informal economy should assist the enterprises to become more productive and competitive, while also increasing their assets. This can be done by providing various services to the informal enterprises such as business development services and micro-finance (Chen, 2004: 27).

4.10.4 Improving informal jobs

The informal workforce faces many challenges. As a result, policies must aim at securing the rights of the informal workers. Municipalities can do this by ensuring access to various resources and credit.

4.10.5 Recognising the voice of informal workers

The voice of the informal workers is normally not heard by municipalities, sometimes due to poor organisation of the sector. Any policy to support the informal economy should promote organisation of the informal workers and provide mechanisms for meaningful participation, particularly in policy-making (Chen, 2004: 28)

4.10.6 Mainstreaming Governance

A study of street trading in several African countries found out that some local authorities had placed the responsibility of managing street trading in wrong departments. In most instances, the function was put in Traffic and Enforcement Departments (Mitullah, 2003: 10). This location has created problems in that the responsible department often ignores the economic aspect of the informal economy. The management of informal economy should be the responsibility of departments dealing with economic planning and development or small enterprise support (Chen et al, 2005: 88).

4.11 CONCLUSION

The informal sector is heterogeneous, consisting of a variety of activities/enterprises and informal employment relations. It is defined in many ways. This chapter has attempted to provide the various definitions, as well as the characteristics of the sector.

In some countries like the European Union countries, the informal sector is referred to as the underground or twilight economy. In most instances, the definitions focus on the characteristics of the sector. The ILO defines the informal sector in terms of a number of characteristics which include, *inter alia*, the ease of entry, use of indigenous resources, family ownership, small scale operations, unregulated and competitive markets, the use of labour intensive and adapted technology, as well as skills that are acquired outside the formal sector.

It is the sector of the economy which comprises both infant enterprises that have the capacity to grow into full members of the capitalist economic system, and individuals who have been forced into the sector simply because they have no alternative means of supporting themselves. Beyond the academic world, liberals may embrace the informal sector as a component of the problem of poverty, whereas the Inland Revenue office might locate it in a matrix of forgone tax revenue. To this effect, measures are then put in place to try and collect this “foregone revenue”.

Combining the views, one can formulate a generalized impression that the informal sector refers to the unregistered business activities of individuals who contribute to the economy through self-employment and commercial enterprises. Although unregistered, these businesses produce legal goods and services.

This sector has evolved through various phases, referred to as the traditional sector, then informal sector to the informal economy. While the informal sector focussed more on the characteristics of the business enterprises, the term informal economy goes further to include even employment relations. The “evolution” of how the sector

is perceived indicates that the informal economy is a permanent feature of economies. It will not disappear with time, as initially believed.

There are many reasons for people to join the informal economy. In some instances, informal economic activities are undertaken in order to increase/augment insufficient salaries. Another reason for participation is insufficient unemployment benefits. Even when people receive unemployment benefits, they sometimes participate in this sector to supplement their income. Since this sector is not formally recognised, such people know that they will not lose their unemployment benefits. Others participate in the sector as a result of losing jobs in the formal sector. Others join because just for survival and because of ease of entry, since most activities do not require special skills or training. This brings to the fore the notion of voluntary and involuntary informal employment, where participation in the informal economy can therefore be by choice, necessity or tradition. Irrespective of the reason for participating in the sector, of importance is the fact that the informal business sector plays an important role in job creation and improving the livelihoods of the people. In some countries, its contribution is calculated when the national GDP is calculated.

Another pertinent argument that has dominated the discussion over time has been the relationship between the formal and the informal economy. Initial arguments indicated that there was no link between the two sectors. From the study, it has come out clear that there is a strong linkage between the formal and informal economies. For example, some large factories reorganize their work, forming flexible and specialised units, some of which are not registered and informal. In certain instances, vendors are linked to big businesses (multinational chains). An example of this is a company such as Coca Cola, which rents out kiosks to street vendors.

There was the belief that the informal business sector is temporary. This school of thought maintained that countries should introduce right economic policies and resources in order to transform their “traditional economic sectors” to modern economies. This school of thought further believed that such an intervention would enable even the casual workers in the sector to be absorbed into the formal economy. This assumption was however challenged with realities experienced in countries like

Kenya and Ghana. A study of the informal sector in Kenya indicated that with changes in the economic climate, the sector did not perish. Furthermore, case studies conducted in various countries have confirmed that the sector is a permanent feature of the economies, and part of economies whether the country is developed or undeveloped. What this implies is that authorities should always develop policies and strategies on how to manage this sector as it will always be part of the economy.

The existence, size and composition of the informal economy are influenced by factors like poverty, economic policies, demographic factors as well as legal frameworks. Any policy aimed at addressing the informal economy should take into account these factors.

This chapter has looked at the various characteristics of the informal economy, and how it is linked to the formal economy. It has demonstrated, significantly, the evolution of the concept from informal sector to informal economy. This evolution mean that in developing the policy, focus should not be on the enterprises only but also on employment relationships. The next chapter assesses how the informal economy has developed in South Africa. It assesses the legislative and policy environment in South Africa on the basis that the informal economy will never disappear and should be managed accordingly.

CHAPTER 5

INFORMAL ECONOMY: THE SOUTH AFRICAN CONTEXT

5.1 INTRODUCTION

The informal economy plays an important role in the economic growth of countries. Despite its poverty and unemployment challenges, it is argued that in South Africa, the informal economy is small and contributes very little to the national economy. According to Valodia, Lebani and Skinner (2005: 21), the informal economy contributes between 7 and 12 percent to the South African Gross Domestic Product (GDP). This challenge is an indication of South Africa's past policies. The nature and development of the informal economy in South Africa has been shaped and influenced by the policy of apartheid. Apartheid legislation and policies restricted small-scale economic activities, particularly in urban centres. Negative measures such as the Group Areas Act, harsh licensing and strict zoning regimes were implemented to curb the growth of the informal economy. According to the ILO, the words *informal*, *black* and *illegal* were previously treated as synonyms in South Africa. These were the words used to describe economic activities that were discouraged by government (ILO, 2002b: 40).

To ensure success of the negative campaign against black-owned informal businesses, special policing squads were formed and dedicated to the persecution of informal activities. Policy-makers and planners basically suppressed informal economic activities and showed little tolerance for informal enterprises (Preston-Whyte & Rogerson in Preston-Whyte and Rogerson, 1991: 144). All these measures prohibited many black South Africans from participating in the formal economy, thereby forcing them to earn their livelihoods in the informal economy. At the same time, the system restricted the black entrepreneurs from engaging in productive economic activities. This restrictive environment also forced many informal businesses to be survivalist in nature (Valodia, Lebani & Skinner, 2005: 13).

This situation has, however, changed. Since the 1980s, South Africa's approach to the informal economy has changed. There have been serious policy shifts in relation to the management of informal business enterprises. More importantly, the importance of the informal economy in economic growth has been recognised. There is now a conscious effort to consider the implications of urban development plans on informal enterprises, including street trading. There is an attempt to integrate urban planning and informal business activities.

Management of the informal economy in South Africa has undergone several phases. This chapter looks at the changes in the approach to the management of the informal economy in South Africa. It assesses different phases using the various legislations and policy documents, and how the changes have affected the development and nature of the informal economy. As indicated in the previous chapters, the informal economy contributes to job creation and poverty alleviation. The chapter looks at the size and nature of the informal economy in South Africa, and further assesses the informal sector's contribution to employment.

According to Section 152 of the Constitution, one of the objects of local government is to promote social and economic development. To play this role, the municipalities should develop relevant policies. Taking into account the nature of the informal economy in South Africa as well as the current policy and legislative environment, an attempt is made to draw some policy implications. This is important since the purpose of the study is to determine crucial areas that the Polokwane Municipality must consider in order to develop an effective policy for managing street vendors.

5.2 NATURE AND CHARACTERISTICS OF THE INFORMAL ECONOMY IN SOUTH AFRICA

Like many developing countries, South Africa is faced with socio-economic challenges like poverty, inequality and high involuntary unemployment (Davies & Thurlow, 2009: 1). Several strategies are being explored to address these socio-economic challenges. The informal economy is, to a large extent, seen as one of the vehicles to increase economic participation of the majority of people. This is because

the informal economy plays a critical role as a source of livelihood and further offers social protection to the poor as it provides an opportunity towards halving unemployment and poverty (Valodia et al, 2007: 6-7).

There is always a debate on whether the informal economy is entrepreneurial or survivalist. South African lessons indicate that most informal workers are survivalist (Valodia, Lebani & Skinner, 2005: 13). Hart (in Preston-Whyte & Rogerson, 1991: 70) maintains that street trading, just like other informal activities, is not a pastime, but is a survival mechanism for the participants. Although most enterprises are survivalist, the informal economy provides required goods and services to the urban poor who cannot go to the formal shops given the high prices charged (Bhowmik: 1991: 68). Overall, the informal economy helps sustain the majority of the poor through income generation. Not only does it do this, it also, provides the urban poor with a cheap source of food and other services (Bhowmik, 2005: 2256). Despite this contribution, informal traders in South Africa also suffered harassment from the police attitudes. This is a phenomenon that is observed worldwide (Hart in Preston-Whyte & Rogerson, 1991: 72-73). Apart from creating jobs and generating incomes, the informal economy contributes to the GDP (Kirsten in Preston-Whyte & Rogerson, 1991: 158). It is argued that although the informal sector's contribution to the GDP is minimal, the sector has an impact on alleviating poverty and unemployment (Van der Berg in Nomvete, 1993: 31). According to Valodia et al (2007: 8), informal employment in South Africa increased from 18.5 percent to 20.7 percent between the years 2001 and 2005. The figures exclude subsistence agriculture. According to the ILO, in 2000, employment in the informal economy was estimated at 34 percent. Despite the different estimates, of importance is the significant contribution of the sector to job creation and poverty alleviation. This should form the basis for the development of any policy for managing the sector. It should also be used by government to assess any direct and indirect effect of its urban planning policies on the growth of the informal economy.

What is clear is that the informal sector encompasses different economic activities like trading, providing a service or manufacturing. This sector further shows different employment relations like the self-employed, paid and unpaid workers and disguised wage workers (Valodia, Lebani & Skinner, 2005: 14). It is also worth noting that in South Africa, informal employment is concentrated in domestic services and

agriculture, which accounts for 52 percent. Construction and trade sectors account for about 30 percent of informal employment (ILO, 2002b: 42).

The informal economy has more women than men. In South Africa, of all the participants, women constitute the highest percentage, accounting for more than 50 percent of the informal workers. According to ILO, of the 4 million people employed in the informal economy in South Africa, 2, 4 million were women compared to 1, 6 million men. In addition, women represented 60 percent of informal workers in trade, which is the main informal activity, and 55 percent or more of informal workers in agriculture, manufacturing and personal services (ILO, 2002b: 42).

South Africa has a high unemployment level (Kingdon & Knight, 2001: 2). Due to apartheid policies, the majority of the unemployed people in South Africa are found in the poor provinces, which mainly comprise the former “homelands”. This includes provinces like Limpopo and the Eastern Cape, which have a significant informal employment sector (ILO, 2002b: 42). This fact is still prevalent. According to the Labour Force Surveys (LFS) conducted by Statistics South Africa, provinces that comprise former homelands still have high unemployment levels. In September 2005, the national unemployment rate was 26, 7 percent. Provinces such as Limpopo (30, 1%), KwaZulu-Natal (32, 8%) and Free State (30, 2%) had an unemployment rate higher than the national rate (Statistics South Africa, 2005: xiv). By June 2010, unemployment was still high in provinces such as North West, Northern Cape, Mpumalanga, Eastern Cape, KwaZulu-Natal and Free State (Statistics South Africa, 2010: xi).

Although unemployment is high in South Africa, the informal sector is small. Several reasons have been attributed to the disparity between high unemployment rate and small informal sector in South Africa. Examining this discrepancy, Kingdon and Knight (2001: 4) ask whether the unemployed people voluntarily choose not to enter the informal sector, or whether there are barriers that prevent them from participating in the informal economy. Several reasons have been attributed to this disparity between the high unemployment and a small informal sector in South Africa. Some of the reasons include the following (Valodia et al, 2007: 8-9 and Valodia, Lebani & Skinner, 2005: 20):

- Barriers to entry due to past apartheid policies.
- Lack of markets for small firms.
- Insufficient production linkages between formal and informal economies. Most informal retailers serve as just an extension of the formal sector. Instead of adding value to the goods, most traders package goods bought from the formal sector and resell.
- Lack of access to credit.
- Regulatory environment: Urban spatial policies and regulations make it easier to participate in the formal sector than in the informal sector.
- Reduced demand for products sold by informal sector firms.
- Large firms that dominate the economy and are unwilling to subcontract to smaller firms.

In essence, the challenges that the informal economy is facing now are the same as the challenges that black formal entrepreneurs faced during the apartheid era. This includes, among other restrictions, lack of physical infrastructure, lack of support structures and lack of access to the main markets (White Paper on National Strategy for the Development and Promotion of Small Businesses in South Africa, 1995).

An analysis of the growth patterns of the informal economy in South Africa for the period 1966 to 2002 uncovers some interesting and important issues. According to Saunders & Loots (2005: 99), the informal economy performed very badly during the tough economic times of 1980s that were characterised by high inflation, sanctions and disinvestments. This raises several issues (Saunders & Loots, 2005: 99 and ILO, 2002b: 29):

- (i) Contrary to some beliefs, the informal economy is affected by economic factors. This has been evidenced in various countries. In the Asian countries, for example, the informal economy grew during the financial crisis in the 1990s. In contrast, the informal economy can also grow during periods of economic growth because of increased opportunities. During such a time, it is productive enterprises that grow, supplying the formal economy with goods and services.
- (ii) There is linkage between the formal and informal economies. For example, during periods of high inflation, the formal economy shrinks, and so does the

informal economy, particularly sectors that have direct linkage with the formal economy. This further stresses the fact that the informal and formal economies are like two sides of the same coin, the country's economy system.

- (iii) The fact that the informal economy shrank during the economic crisis means that the sector might not act as an effective safety net for the unemployed.

It should, however, be noted that in some countries like India, Thailand, Singapore and Philippines, the number of street vendors increased significantly after the Asian financial crisis in 1998 (Bhowmik, 2005: 2256). This could imply that while the number of the participants might increase during a period of economic crisis, the quality of the jobs could be questioned. It is likely that the majority of the participants get little income, not sufficient to address their basic needs. This is because the incomes in the informal sector are generally low (Kingdon & Knight, 2001: 3-4).

It is argued that when the participants in the informal economy can easily enter the markets, they are involved in street trading. Unfortunately, the activities with ease of entry (like street trading) are characterised by overtrading and low incomes. The informal economy can therefore not be looked upon as a solution for unemployment, unless the issue of quality jobs and necessary support is offered to help increase the incomes.

The restrictive practices of the apartheid government forced most businesses to remain survivalist in nature. This practice could be the reason for lack of diversity in current informal trading as experienced today, when compared to other African countries. The reform of the informal sector due to legislative changes, however, saw renewed energy, and the emergence of various sectors like the minibuss industry and new entrepreneurship and economic opportunities (Valodia, Lebani & Skinner, 2005: 13-14). The informal sector can, however, still provide an opportunity for job creation and poverty alleviation. This depends on the extent to which barriers and constraints facing the development of the sector are addressed (Kirsten in Preston-Whyte & Rogerson, 1991: 158).

The White Paper on National Strategy for the Development and Promotion of Small Business in South Africa (1995) identifies several constraints that face small

businesses in South Africa. This include the unfavourable legal and regulatory environment, poor access to markets and appropriate technology, lack of supportive business infrastructure, as well as inability to acquire the necessary skills required to manage a successful business (White Paper on National Strategy for the Development and Promotion of Small Business in South Africa, 1995).

A study³ (Valodia et al, 2007: 13-24) conducted in the Durban area to determine economic behaviour in the informal economy found, *inter alia*, that:

- Trading increased after 1995 as a result of the changes in the informal trading regulations in the country. This is because prior to 1995, informal trading was prohibited in the urban cities and this was later changed.
- The majority of informal workers (63,6 percent) work in the sector due to lack of employment in the formal sector. This means that should they find employment in the formal sector, they would leave the informal economy to join the formal economy.
- Most of traders (79,0 percent) used own capital resources to start their business activities.
- In order to benefit from agglomeration, informal traders tend to locate close to formal retailers. They further locate close to other informal retailers selling similar products.
- Traders normally locate closer to transport routes and other places with a high volume of pedestrians. The traders sell goods at convenient location. In essence, the traders' locations are integrated into the transport networks in the city.
- Most traders buy in bulk and sell in smaller quantities with no value added on the goods. This small volume is normally suitable for low-income earners.
- The majority of the traders sold the same goods and did not even consider selling other goods.
- People who have been trading for a longer period of time are more open to explore other opportunities in the informal economy.

³ The study was conducted in order to study the competitive behaviour of informal firms. 100 informal retailers were studied in four sites of Durban, namely, the Warwick Junction (an urban inner city location; Pinetown (an urban concentration); KwaMashu (a township) and Isipingo (an urban concentration not in the inner city).

5.3 SIZE OF INFORMAL SECTOR IN SOUTH AFRICA AND ITS CONTRIBUTION TO GDP

There is general agreement that the informal sector is a source of employment for the unemployed and contributes to the economy of countries (Swinburn, Goga & Murphy, 2006: 3). There are, however, questions as to why the informal sector is so small while unemployment is so high in South Africa. It is expected that the unemployed would normally find or create informal employment in order to address the unemployment challenge. For example, in 2001, formal sector employment in South Africa was 73,2 percent, with the informal sector at only 18,5 percent. By the year 2006, the formal sector contributed 73.4 percent of employment, while the informal sector increased by only 0.9 percent to 19.4 percent (Valodia et al, 2007: 8). In 2007, the informal sector (excluding subsistence agriculture) constituted only 16, 9 percent, while the formal sector constituted 66, 6 percent (Statistics South Africa, 2007: ix). Generally, there is a decline in the informal sector. This questions the ability of the informal sector to create much-needed jobs, thereby assisting in addressing the scourge of poverty and unemployment facing South Africa.

A study⁴ conducted by NALEDI in 2003 found that employment in the informal economy in South Africa was only 25 percent compared to 40 percent in Egypt, 70 percent in El Salvador and over 90 percent in India (Chen & Vanek in Avirgan, Bivens & Gammage, 2005: 494). According to Kingdon & Knight (2001: 3-4), most people in South Africa would rather be unemployed than self-employed in the informal sector given the low income when one is self-employed. This is despite the fact that income from self-employment is far higher than income for an unemployed person.

⁴ The National Labour and Economic Development Institute (NALEDI) conducted a study in South Africa during the second half of 2003 and the first half of 2004 on behalf of the Global Policy Network. The studies compare the state of informal employment in Russia, Egypt, El Salvador, India and South Africa.

The size and nature of the informal sector as evidenced in South Africa can be attributed to the apartheid regime. The apartheid policy prohibited blacks from being private sector entrepreneurs or business owners outside homelands. Black people were restricted from participating in the formal economy. One way of limiting black participation in the formal economy was, for example, through business licensing. In 1982, the law provided for one business licence per 650 people in black urban townships as opposed to one business license per 60 people in Cape Town. (Van der Berg in Nomvete, 1993: 31; Lund & Skinner, 2003: 3 and Valodia, Lebani & Skinner, 2005: 13). This stimulated informal economic activity among blacks. When the deregulation took place in the 1980s, coupled with an explosion of the rural-urban migration, the informal sector increased drastically (Van der Berg in Nomvete, 1993: 26). By 1990, the informal sector had grown (from a very small amount in the early 1970s) to about 8 percent of the enumerated GDP. To note is that of the 8 percent, at least 7, 5 percent was generated by black informal operators. This expansion can be linked to the deregulation, rapid urbanisation as well as lack of jobs in the formal sector (Van der Berg in Nomvete, 1993: 27). According to Preston-Whyte & Rogerson, (in Preston-Whyte & Rogerson, 1991: 306) the main objective of deregulating the business environment was to relax measures that restricted development of the formal and informal business sector. Deregulation reduced regulations, thereby allowing black owned businesses to grow, as per the provisions of the White Paper on a Strategy for the Creation of Employment Opportunities in the Republic of South Africa.

It is estimated that the informal sector's contribution to the GDP ranged from 12, 6 percent in 1991 to 9, 2 percent in 1993, to approximately 7 percent in 1999 (Saunders & Loots, 2005: 92-93). One observation is that the sector's contribution to the GDP decreased during this period. This is surprising given that according to the 2003 Quantec⁵ report (cited in Saunders & Loots, 2005: 92), the number of participants increased significantly from 1992 to 2002. However, although the number of participants increased, the informal sector's contribution to the economy did not increase. This could be linked to the type of informal activities that the participants engaged in, whether the activities were survivalist or productive. Valodia (2006: 4)

⁵ Quantec Research (Pty) Ltd is a company that specializes in marketing, distribution and support of economic and financial data.

maintains that the informal sector contributes some 7 percent of the GDP. This means that the sector's contribution is part of the national accounts. Despite this contribution, statistics indicate that employment in the informal sector is largely of a survivalist nature (Valodia, 2006: 3). According to Valodia et al (2007: 18), a significant number of participants join the informal economy for survival as opposed to entrepreneurial reasons. What is clear if one looks at the GDP contribution, is that the informal sector's contribution to the national account is small. The implication is that the formal sector will remain the backbone of the economy. As a result, when trying to accommodate the informal sector, care should be taken not to "destroy" or negatively affect the formal sector. There is a need for an approach that balances and enables both sectors to flourish.

Van der Berg (in Nomvete, 1993: 31) maintains that the informal economy's contribution to the GDP is normally lower than its contribution to employment. This implies that although more jobs are created, less value is added to the economy due to low incomes generated in the informal sector. In essence, they are underemployed, and the sector is more a survival (fall back) strategy than a productive one (Van der Berg in Nomvete, 1993: 31). This fact is supported by various authors such as Chen, Vanek & Carr (2004: xiv); Valodia (2006:5) and Valodia et al (2007: 11), when they maintain that workers in the informal economy are on average faced with the challenges of lower incomes and low standards of human development.

It is maintained that during 2005, 69 percent of participants in the informal sector earned R1000 a month or less (Valodia, 2006: 4). This further shows the correlation between being poor and working informally. The majority of informal workers are poor and earn below the minimum wage. A study conducted by NALEDI in South Africa in 2003 found out that 75 percent of the workers in the informal sector earned less than R1000 per month (Bivens & Gammage in Avirgan, Bivens & Gammage, 2005: 16). This study showed that wages and incomes in South Africa's informal economy are consistently lower than those in the formal economy. These findings pose a serious challenge to the idea of looking to the sector as a means for poverty alleviation and wealth creation. This fact is further supported by Saunders and Loots (2005: 100) who maintain that the informal economy has some limited income earning opportunity. This implies that the ability of the informal economy in

addressing inequality and poverty alleviation will depend largely on how the sector is managed. It is on this basis that Braude (cited by Bivens & Gammage in Avirgan, Bivens & Gammage, 2005: 16) sees the informal economy as a means of survival in an economy where there are no good jobs.

Generally, participation in the informal sector has been increasing in South Africa. According to a report by Quantec (cited in Saunders & Loots, 2005: 92), informal economy participants increased from 1.9 million in 1992 to 3,5 million in 2002. This is an increase of approximately 84 percent. Interestingly, though, this increase happened while the labour absorption rate in the formal economy declined by 82.1 percent in 1981 to 38, 2 percent in 2002. This shows that in some instances people join the informal economy due to lack of job opportunities in the formal economy (Saunders & Loots, 2005: 92).

Findings of the Labour Force Surveys (LFS) conducted by Statistics South Africa (Stats SA) indicate that the number of people employed in informal firms has been growing substantially since the mid 1990s. According to Valodia et al (2007: 7), about 1 614 000 jobs were created between 1997 and 2005 in the South African economy. Of this total, the informal economy grew by about 417 000 jobs, excluding subsistence agriculture. The majority of the jobs were created by informal firms that contributed at least 19, 4 percent of the jobs (Valodia et al, 2007: 8). There are, however, disparities in the amounts provided by various reports. According to a report by ILO, employment in the informal economy was estimated at 34 percent in the year 2000 (ILO, 2002b: 40). This figure is higher than the estimates provided by other authors like (Valodia et al, 2007: 8), who maintain that the employment in the informal sector was 18, 5 percent in 2001. Despite these differences, the important principle to note is the role that the informal economy plays in employment creation, as well as its contribution to the GDP. This is a critical principle for municipalities to note when they plan economic and urban development policies and strategies. The policies and strategies should support the informal sector if the battle against poverty and unemployment is to be won. The table below summarises the state of the informal

sector as per the findings of the various Labour Force Surveys⁶ conducted during the years 2005, 2007 and 2010.

Table 5-1: Analysis of the employment levels in the formal and informal sectors

	September 2005		March 2007		June 2010	
Formal Sector	7 987 000	64,9%	8 423 000	66,6%	8 845 000	69,4%
Informal Sector	2 462 000	20,0%	2 131 000	16,9%	2 124 000	16,6%

(Source: Table developed by author, information sourced from Statistics South Africa Labour Force Surveys of September 2005, March 2007 and June 2010).

An analysis of the table reveals the following implications for the management of the informal sector:

- The formal sector is the major creator of jobs, not the informal sector, employing more than 60 percent of the labour force. This implies that even when developing a policy or adopting a strategy for promoting the informal sector, care should be taken not to negatively affect the growth of the formal sector. The formal sector remains the engine of the national economy.
- The formal sector has been consistently growing, while employment in the informal sector continues to decline. The question is whether those who left the employ of the informal sector were absorbed by the formal sector, or whether due to low income levels in the informal sector, some people decided to leave the sector. Alternatively, it could be that due to the economic climate, business owners in the informal sector have laid off people. Having discussed the importance of the informal sector as being able to absorb the unskilled, uneducated and those retrenched in the formal sector, this is a worrying factor. Any policy to manage informal businesses should among other things aim to turn survivalist enterprises into productive and sustainable ones.

⁶ The figures exclude those employed in agriculture and domestic workers.

As indicated earlier, there is a link between the formal and informal business sectors. An analysis of the contribution of various economic sectors (by percentage) indicates the following:

Table 5-2: Comparison of employment by various economic sectors.

Industry	September 2005		March 2007		June 2010	
	Formal Sector	Informal Sector	Formal Sector	Informal Sector	Formal Sector	Informal Sector
Wholesale and retail trade	22,6	48,9	23,5	44,8	20,8	46,6
Services	24,7	17,2	24,3	11,9	26,9	13,1
Construction	7,3	14,1	7,5	14,5	8	13,9
Manufacturing	18,1	10,3	17,8	12,0	16,2	10,1

(Source: Table developed by author, from the Statistics South Africa Labour Force Surveys of September 2005, March 2007 and June 2010).

From the table above, the following deductions can be made:

- There are definitely linkages between the formal and the informal sectors. The higher the industrial contribution by the formal sector, the higher the participants in the informal sector. In the formal economy, wholesale and retail is the highest contributor, followed by community and personal services and manufacturing. The same goes for the informal sector with respect to trade and services. The only difference is in manufacturing. In terms of manufacturing, there are very few participants in the informal sector, while in the formal sector the employment contribution is high. This supports the view that most of the informal sector participants do not participate in value-adding activities. They are instead concentrated in the trade sector. Due to the insignificant value-adding, the contribution of the informal sector to the GDP will be very little. In the trade sector, it is interesting to note that the number of people employed by the informal enterprises is far higher than the number in the formal enterprises. The majority of the participants in the informal sector

would be street traders as it is easier to “buy and sell” than to manufacture. It is therefore critical that government policies consider this sectoral distribution.

- The percentage of the informal enterprises engaged in wholesale and retail trade is consistently above forty percent. This could be due to ease of entry, as well as the fact that to trade does not require special skills or infrastructure. Since trading does not involve value-adding, the incomes are likely to be low. This means that the majority of the enterprises might be survivalist in nature. It raises challenges in terms of the ability of the sector to contribute towards poverty alleviation, economic growth and improvement in the quality of life of participants. It further means that over and above focussing on the enterprises, government policies must also focus on the social programmes (welfare assistance).
- Another glaring difference is in the construction industry, where the employment rate for the informal sector is higher than in the formal sector by more than fifty percent. This is very interesting. One can assume that the reason for this scenario is because most construction work is temporary or for a specific period. As a result, formal businesses might be using “informal labourers” instead of appointing permanent labourers. The main policy issue in this regard is how such workers can be helped in terms of the decent work paradigm.

5.4 LEGISLATIVE AND POLICY ENVIRONMENT

Unemployment levels in South Africa are extremely high, yet the informal economy is small. There are several reasons for this. In certain instances, the urban spatial policies and regulations make formal activity easier than informal activities or create reduced demand for products sold by informal enterprises. In some instances it is because of the policies adopted and implemented by the past governments (Valodia et al, 2007: 8-9).

The apartheid system in South Africa restricted black South Africans’ access to the formal economy. This restriction forced the black people to resort to the informal

economy in order to earn their livelihoods. The system adopted legislation that contained the people's efforts to make a productive living through activities in the informal economy. This includes various acts like the Black Urban Areas Consolidation Act, 25 of 1945 and the Group Areas Act, 36 of 1966 (Valodia, Lebani & Skinner, 2005: 13). These Acts and many others restricted black entrepreneurs in establishing and operating businesses. They restricted the type of goods that could be traded and set up processes that discouraged black entrepreneurs from registering small business. The other mechanism used by the apartheid policy was to limit the number of business licenses that could be issued for black urban townships (Lund & Skinner, 2003: 3 and Van der Berg in Nomvete, 1993: 31).

Generally, prior to the 1990s, the attitude of planners and administrators in South Africa to small urban business was hostile. Urban local authorities generally viewed the informal sector activities as a problem, a nuisance that contributed to an unhealthy environment and traffic congestion. They further perceived that the sector was a nuisance to the formal economy. As a result, the management of the informal economy was more on controlling the sector (Dewar and Watson in Preston-Whyte & Rogerson, 1991: 194). Most of the policies and programmes developed by policy-makers were designed to counter as opposed to catalyse informal entrepreneurship (Preston-Whyte & Rogerson in Preston-Whyte & Rogerson, 1991: 144). As Natrass (in Natrass & Adington, 1990: 218) maintains, the small black businesses were associated with problems. It was assumed that if they were encouraged, this would accelerate rural-urban migration which would in turn lead to social and health problems associated with the informal sector. It suited the state better to channel black initiative to the homelands. According to Van der Berg (in Nomvete, 1993: 26), black entrepreneurship was to be confined to the homelands. However, from the early 1980s, the policy was transformed into one of acceptance, encouragement and upgrading of small black enterprise activity. Institutions such as the Urban Foundation and the Small Business Development Corporation provided further growth stimulus by focusing aid and attention on the wealthier formal and even on a few informal black businesses. The main question that can be asked is that given the legislative changes, wherein the informal sector is accepted, how is the informal sector viewed and treated by authorities? Has the "antagonism" been replaced by acceptance and

support, or are attitudes still the same? This issue will be looked at in the coming chapters when the policies of various municipalities are assessed.

The section below looks at how the South African legislative and regulatory environment has evolved from being “anti-informal economy” to the pro-informal economy environment experienced now. It examines how the approach has changed through the adoption of various legislative instruments, and the impact of this shift.

5.4.1 Pre-democracy legislations and policies

A number of Acts and policies developed by the apartheid system shaped the structure of the economy of today. The apartheid system contributed to the inability of black-owned or controlled enterprises to develop. Black South Africans were denied opportunities to start and successfully operate viable businesses given some of the factors indicated below (White Paper on National Strategy for the Development and Promotion of Small Business in South Africa, 1995 and Lund & Skinner, 2003: 3):

- Bantu education did not provide the black people with the technical and professional skills required by the business sector.
- Young people were not exposed to any entrepreneurial education that would inculcate in them a culture of entrepreneurship.
- The majority of people were confined to homelands with limited (if any) business opportunities.
- Blacks residing outside homelands could not participate in various business opportunities.
- The government placed restrictions so that blacks could not establish and operate businesses as well as access business opportunities in the formal economy.

For a long time, the informal economy was viewed as a nuisance. Street trading, for example, was seen as dirty, unsightly and an aberration from the ideal of a modern city. Although street hawkers were (and still are) viewed as dirty and unsightly by officials, street trading created an ambience in townships. According to Hart (in

Preston-Whyte & Rogerson, 1991: 70), with the introduction of the Group Areas Act, 36 of 1966, which led to the removal of Indians from Vrededorp suburb in Johannesburg, the ambience was lost. This view has, however, changed. The approach towards the informal business activities now takes into account the contribution of the informal enterprises towards alleviating poverty and also creating much needed jobs (Rogerson in Preston-Whyte & Rogerson, 1991: 207).

What has been realised over time is the fact that the contribution of the informal sector in economic growth could not be overlooked. According to Rogerson (in Preston-Whyte & Rogerson, 1991: 207-208), this shift has been long coming, with the ANC reflecting on small-scale enterprise development in its economic discussion document released in September 1990. The 52nd ANC conference held in Polokwane during December 2007 stressed this fact. When addressing issues of economic transformation, the conference acknowledged that building small and micro enterprises is a challenge. To address this challenge, the conference resolved, as part of economic transformation, that state resources must be used to build the necessary capacity and institutions that will help small and micro enterprises. Considering the fact the informal economy constitutes the greater bulk of the small and micro enterprises, if implemented, this would really make a difference in the sector (ANC, 52nd National Conference, 2007).

According to Natrass (in Natrass & Adington, 1990: 218), changes in South Africa regarding management of the informal sector started in the 1980s. Policy documents such as the 1987 White Paper on Privatisation and Deregulation in RSA emphasised the need to focus more on support and promotion of economic activities and less on control. The promulgation of the Businesses Act, 71 of 1991 led to a significant change in the approach to the management of street trading. Before this Act, as noted, street trading was seen as nuisance. Authorities harassed street traders and made it difficult for them to obtain trading licenses. As a national law, the Business Act reduced the powers of local authorities in the development and implementation of laws that restricted informal trading (Skinner, 1999: 9-10).

More importantly, this legislation provided a framework for street traders to trade freely within a prescribed framework. The Act acknowledged, for the first time, street

traders as business people, and introduced hawker licensing. It provided an acknowledgement that street traders contribute to the country's economy. Section 2(3) (b) of the Act allows hawkers to trade as long as they have been awarded the necessary license (Business Act, 71 of 1991).

To implement and enforce the Business Act, 71 of 1991, the Policy for the Implementation and Enforcement of the Businesses Act, 1991 was developed. This is because it was acknowledged that the Business Act is “not user friendly and difficult to interpret, implement and enforce” (Policy for the Implementation and Enforcement of the Businesses Act, 1991). The focus of the policy is more on enforcement, ensuring that businesses obtain the necessary registration and comply with the license requirements. It deals with the environmental health issues, focussing more on safety and health risks that might face communities due to businesses not complying with the license requirements. The policy is silent on development of the business sector (both formal and informal). As a result, even though the Business Act, 71 of 1991 provided an opportunity for informal traders to operate, the implementation mechanism (policy) is silent on the developmental aspect of the sector. This is, however, not surprising given that the Act does not focus on the developmental aspect of the informal trading.

It was after the 1994 democratic elections that transformation of how the small, micro and medium enterprises (SMMEs) in general, and the informal sector in particular, gained momentum, as will be seen in the following section.

5.4.2 Post-1994 legislation and policy environment

According to Rogerson (in Preston-Whyte & Rogerson, 1991: 207), it has always been evident that the government of South Africa would have to address complex issues affecting the informal economy as part of economic transformation. With the demise of apartheid, the South African government analysed some possibilities of expanding employment in the informal economy (Valodia, Lebani and Skinner, 2005: 14). To this effect, the country developed several policies and legislation that acknowledge the existence and importance of the informal economy. This section

looks at some of the policies and legislation, and the implications for the management of the informal business sector:

5.4.2.1 Reconstruction and Development Programme: A Policy Framework, 1994

Most of the government policies and legislation as seen today are broadly informed by the principles of the Reconstruction and Development Programme (RDP) adopted by the African National Congress (ANC) in 1994. The RDP took its mandate from the 1955 Freedom Charter. In relation to this study, for example, the Freedom Charter maintains that all people shall have equal rights to enter all trades and also to trade where they choose (The Freedom Charter, 1955). The RDP provided a basis to put into implementation the principles of the Freedom Charter. One of the key programmes identified in the RDP is that of building the economy. The challenges identified are that most people in the informal sector lack productive and managerial skills as well as access to productive assets. The RDP also acknowledges that the informal sector faces an array of repressive regulations that were originally intended to undermine participation of blacks in the economy (RDP, 1994).

This is not surprising given that the apartheid policy adopted a system that deliberately prevented black people from establishing and operating businesses. To address these challenges, the RDP proposed support for small and micro enterprises as one of the programmes. The intervention was aimed at alleviating the problem of inequalities in income and wealth, and to further expand productive opportunities. The policy document further identifies four major constraints that face small and micro enterprises, and mandates government to develop an integrated approach that would address these areas. The areas are lack of access to credit, supportive institutional arrangements, skills and market (RDP, 1994).

The implication of the issues raised by the RDP document is that in developing a policy for managing the street traders the municipality must, at the minimum, pay specific attention to the challenges. It further means that the policy should consider other supporting policies and programmes in order to come up with an integrated approach. These could be in areas of skills development, financial and non-support as

well as the institutional arrangements in municipalities, such as the location of the function in the organisational structure. The RDP has therefore, without any doubt provided a foundation for reversing and correcting the imbalances of the past. It has set the scene for the new government to put support to SMMEs at the core of the reconstruction and development initiatives.

5.4.2.2 White Paper on National Strategy for the Development and Promotion of Small Businesses in South Africa, 1995

The informal business sector constitutes the largest component of the SMME sector. Most of the businesses are survivalist businesses and micro enterprises that usually involve the owner (Döckel and Ligthelm, 2005: 56). The other significant change in the approach to the informal economy after the first democratic elections was brought about by the adoption of the White Paper on National Strategy for the Development and Promotion of Small Business in South Africa in 1995. The policy document is focused on small business development. It acknowledges the existence of survivalist entrepreneurs, which constitutes a significant bulk of the informal economy (Valodia, Lebani & Skinner, 2005: 14 and White Paper on National Strategy for the Development and Promotion of Small Businesses in South Africa, 1995).

The White Paper distinguishes four categories of businesses in the informal economy, namely, survivalist, micro, small and medium enterprises. It recommends that for each category, there should be different support strategies. It goes further to identify concrete proposals for the various sectors (White Paper on National Strategy for the Development and Promotion of Small Businesses in South Africa, 1995). Of all the categories, the survivalist enterprises constitute the greatest bulk, and most street traders fall under this category (Skinner, 1999: 9 and Valodia, Lebani & Skinner, 2005: 14). According to Valodia, Lebani & Skinner (2005: 14), the White Paper is, however, “mute” when it comes to support strategies for survivalist enterprises. This could mean that this sector might not get the required assistance and support needed to grow. It is also maintained that the Department of Trade and Industry offered very little, if any, support to the survivalist enterprises (Valodia, Lebani & Skinner, 2005: 14).

The White Paper acknowledges that there must be concerted policies and programmes to deliberately create an enabling environment in order to transform the small enterprise sector. The majority of the participants of the small enterprises are in the informal economy. So to address the challenges faced by the informal economy as identified by the RDP, the municipality must adopt relevant policies. These policies must create an enabling environment that will not only make the informal sector flourish, but also turn survivalist enterprises into viable productive units (White Paper on National Strategy for the Development and Promotion of Small Businesses in South Africa, 1995). This means addressing crucial issues around several factors that affect the growth of small businesses. According to Döckel and Ligthelm (2005), one critical factor for the growth of the sector is availability of proper management skills for the owner. This implies that in developing a policy for the sector, capacity building of the owners (in management skills) should be one of the key programmes. Some of the factors that should be considered when policies and interventions for managing the informal sector are developed are outlined below (Döckel and Ligthelm, 2005: 55):

- Intentions: This focuses on the personal characteristics, values, reasons for establishing a business as well as the beliefs of an entrepreneur. This means that the policy should not only focus on the activities, but should have programmes that deal with the development of the person, the entrepreneur, the business owner.
- Ability: This relates to factors that deal with the ability and capabilities of the entrepreneur to successfully manage a business as well as other internal business factors. This includes factors such as the educational level, business management skills, growth potential of the products, assets and premises, and legal status of the business. The implication is that to develop a proper policy, the municipality should understand the status of the informal businesses in terms of these factors.
- Opportunities: Each business is affected by the growth factors that are external to it. This includes factors such as market conditions, access to finance, public sector regulations and labour market conditions. This is quite interesting in that in most cases policies for managing informal businesses normally

disregard the effect of external factors on the sector. It is often assumed that unlike the formal sector, the informal sector is not much affected. Taking this into consideration, policies supporting SMMEs should not only focus on creating a favourable climate but should also understand the effect of various factors on the viability of the sector. In addition, the policy should target certain sectors that have potential for growth.

5.4.2.3 Constitution of the Republic of South Africa, 1996

The 1994 democratic elections ushered a new way of doing things in South Africa. This change is evident in the Constitution. In terms of the Constitution, there are three spheres of government that have different functions. Part B of Schedules 4 and 5 of the Constitution identify the functions of local government. According to Schedule 5 Part B, street trading is a function of local government. This implies that it is the responsibility of local authorities to ensure proper management of the street trading function. This function should be performed within the provisions of Section 152(1) (c) of the Constitution, which mandates local government to promote social and economic development (Constitution, 1996 & Skinner 1999: 10).

As Skinner (1999: 11) maintains, these policy changes are, in principle, positive from the perspective of survivalist street traders. Cities therefore have an important role to play in promoting the needs of the informal sector in general, and street trading in particular. In performing these functions, the local authority should take into account the various legislation and policy provisions such as the Business Act (71 of 1991), the White Paper on National Strategy for the Development and Promotion of Small Businesses in South Africa (1995), and others.

5.4.2.4 White Paper on Local Government, 1998

Adopted in 1998, the White Paper is centred on the role that local government has been given by the Constitution. This is the role of promoting social and economic development as per Section 152 of the Constitution. The White Paper established a system of local government that works with local citizens to find sustainable ways of meeting needs and improving the quality of life.

The White Paper identifies four inter-related characteristics of developmental local government. One of these characteristics is maximising social development and economic growth. A developmental local government is expected to conduct its affairs in a way that promotes the growth of the local economy. Through its traditional responsibilities of service delivery and regulation, each municipality can positively or negatively affect the growth of the informal economy. According to the White Paper, an important principle that underpins a developmental local government is that it aligns its plans, policies and resources to contribute to the growth of the local economy, both formal and informal (White Paper on Local Government, 1998).

The White Paper brought to the fore the concept of local economic development as one of the outcomes of municipalities. It further urges municipalities to review policies and procedures, as well as to provide special economic services in an endeavour to promote LED. It advises, for example, that the municipality can review procurement procedures to give preference to small enterprises, particularly those in the informal sector (White Paper on Local Government, 1998).

The implications of the provisions of the White Paper are that in carrying out its function, each municipality should adopt policies and programmes that advance the notion of a developmental state. For example, in managing the informal business sector, the municipality must not only focus on ensuring compliance with operating requirements as per the provisions of the Business Act (71 of 1991): instead, more emphasis should be on developing the sector to contribute to the social and economic development status of the participants.

5.5 LOCAL ECONOMIC DEVELOPMENT (LED)

There is consensus that local government is better positioned to champion development through providing services and creating an environment that enables residents to enjoy a dignified life. As a result, one of the outcomes of developmental local government is local economic development (White Paper on Local Government, 1998). Municipalities are mandated to develop and promote their local economies. This mandate has been stressed in various legislations and policy documents. Section

152(1)(c) of the Constitution mandates municipalities to promote social and economic development. The Municipal Systems Act, 32 of 2000 obliges municipalities to develop LED strategies. According to Section 26(c) of the Municipal Systems Act, each Integrated Development Plan must indicate the municipality's local economic development aims.

Local economic development is therefore not an option for municipalities, but a legislative requirement. LED is about local people working together in order to bring economic benefits and improve the quality of life of the people through sustainable economic growth. Harrison, Reddy & Nene (in Reddy, Sing & Moodley, 2003: 177) define LED as “a locally driven process that seeks to identify, harness and utilise resources to stimulate the economy and, more importantly, to create job opportunities”. Swinburn, Goga and Murphy (2003: 1) maintain that the purpose of LED is among others, to improve the quality of life of the residents by building up a good economic environment. The definition emphasises cooperation and partnership between the municipality, private sector and civil society formation in creating conditions that are conducive for economic growth and much needed jobs. In essence, LED aims to address issues of poverty, unemployment and inequality. LED is therefore one of the mechanisms employed by local government to improve the quality of life of the people by creating employment opportunities, redistributing resources and alleviating poverty. To address these challenges, local governments are expected to pursue growth patterns that support small, medium and micro enterprises. It is argued that this could assist in integrating local economic development and poverty alleviation (Mokate, 1999: 196). As Harrison, Reddy & Nene (in Reddy, Sing & Moodley, 2003: 178-179) maintain, local authority can play a critical role in facilitating the local economy as a policy-maker, promoter or developer.

Informal economy is part of the local economy. As a result, when strategies to develop the local economy are planned, the role of the informal economy should also be considered. In fact, the relationship between the two economic sectors should be well understood, and form the basis of a local economic development strategy. The linkages between the formal and informal economy, as well as the constraints and

opportunities facing each sector, should be considered when developing an LED strategy (Swinburn, Goga & Murphy, 2003: 3). To be effective, local economic strategies should be underpinned by an understanding of the local economy. Failure to do this will result in adopting ineffective policies that do not address the challenges, contributing to what Deng (1998: 100) describes as intellectual poverty. For example, if a local economy is characterised by massive informal business activities, the local economic strategy should take this into consideration. Guided by the White Paper on National Strategy for the Development and Promotion of Small Businesses in South Africa (1995), the municipality should develop plans that are relevant to the structure of its economy. Furthermore, as highlighted by Mokate (1999: 192) and Döckel & Ligthelm (2005: 55), the economic development strategies must also take into account the effect of both internal and external factors on the local economy. This implies that the strategy should for example, in the case of the informal economy, consider how the local authority's spatial plans and by-laws would affect the growth of the informal economy.

5.6 POLICY IMPLICATIONS

The structure, size and nature of the informal sector in South Africa, as well as the local government legislative and policy mandate, has some serious implications in the development of a policy for the management of the informal business sector. The basis for the development of any policy for the management of street vendors or any informal activity in South Africa should depart from the provision of the Freedom Charter, which gives everyone the right to trade in any product or service, and also to trade anywhere they so wish. The main principle here is not so much on the product or location, but on the right to participate in legal economic activities. This section looks at some of the implications for policy development.

The informal economy is part of the local and national economies and can contribute to employment creation and poverty reduction. A worrying factor is that while the number of people participating in the informal economy is increasing, the output (contribution to GDP) is not increasing at the same rate. This could mean that

earnings in the sector must be decreasing, and raises serious questions regarding the impact of the informal economy on poverty and inequality in South Africa (Saunders & Loots, 2005: 100). Any policy or strategy aimed at managing the informal sector must take this into account. Focus should not be on ensuring that more people enter the sector, but rather on promoting the “quality of jobs” in the sector. Development initiatives should assist to increase earnings in the sector. If this factor is not considered, the informal economy will continue to have limited income earning opportunities, and might not assist by providing a safety net for the unemployed. To be effective, any policy aimed at managing the informal sector should take into account the conditions in the particular locality and also be integrative. What this means is that the policy must in addition to focussing on regulations and compliance issues, also have a developmental approach.

According to Döckel & Ligthelm (2005: 54), initiatives that assist small businesses should focus on businesses and sectors that have potential to grow. This implies that to develop an effective policy, the municipality should be able to disaggregate the structure of its informal economy, distinguishing the survivalist from the productive enterprises. Interventions should therefore be relevant to the state of the enterprise. As Rogerson (in Preston-Whyte & Rogerson, 1991: 218) maintains, enterprises with growth potential should at least be offered productive assistance. This could include assisting enterprises to develop and maintain financial and information systems, encouraging and assisting entrepreneurs to be organised and to pool resources together, and providing infrastructure as well as credit facilities. In cases of survivalist enterprises, the interventions should be different. Rogerson (in Preston-Whyte & Rogerson, 1991: 219) suggests welfare-type assistance. This approach focuses more on assisting the individual than the enterprise itself, with the aim of reinforcing the safety-net function. Suggested intervention includes improved access to basic services like water, sanitation, housing or providing land on a temporary basis in support of subsistence agriculture (Rogerson, 1996: 30).

Policies must be relevant. Deng (1998: 100) talks about intellectual poverty. According to Deng, intellectual poverty is when strategies and policies that are developed are inconsistent with the reality on the ground. For example, if a local

authority decides to curb street trading, while in essence the majority of the people rely on this sector which is a source of livelihood, then one can talk of intellectual poverty to the extent that that policy or by-law is concerned. What this says is that policies should take into account the unique nature of each locality. Municipalities can therefore not use a “one size fits all” approach. Rogerson (in Preston-Whyte & Rogerson, 1991:208) maintains that this mind-shift should, however, take into account two important issues. Firstly, the informal economy is instituted by a diverse range of activities and situations. This would mean that assistance should embody principles of welfare assistance as well as productive *assistance*. Secondly, it would be important to note that the state of informal economies is dependent on the country’s environment. As a result, it might not be possible to transfer policy lessons from one country or municipality to the other without adapting them.

Rogerson (in Preston-Whyte & Rogerson, 1991: 209-215) provides broad guidelines for policy consideration:

- There is a strong relationship between informal work and being poor. Policies for managing the informal economy should address issues of poverty.
- Vulnerability and informal work: The workers in the informal sector lack protection. They do not enjoy rights that are “enjoyed” by those employed in the formal sector. The vulnerable group are generally the apprentices, domestic workers, contract workers and women workers. This vulnerability has several implications for policy- making:
 - (i) Policies should not encourage wholesale informalisation. This is based on the notion that the formal economy will continue to be the real engine of economic growth, while the informal sector will supplement the formal sector.
 - (ii) Interventions should improve institutions and infrastructure that support the informal economy.
 - (iii) Policy for the informal sector should address the welfare sector, improving access to services like clean water, sanitation, health services, education or transport. This will positively affect the livelihoods of these vulnerable people.

- (iv) Welfare assistance should be complemented by packages of productive assistance to improve productivity and income.
- (v) Policy should introduce labour protection and labour regulations that cover the most socially-vulnerable groups like children, workers, labour migrants and women.

Street traders constitute a higher percentage of the informal economy. The majority of street traders are survivalist. This implies that the policy should make provision for the support of the survivalist enterprises, with the long-term objective of turning them into productive units as espoused in the RDP document. However, this does not mean productive enterprises, although in the minority, should not be catered for in the policy.

Another critical challenge that is affecting the growth and profitability of the informal economy is a regulatory environment that is restrictive. A study on the state of street trading in various African cities conducted by Mitullah (2003: 10-11) found that most local authorities in Africa restricted the development of the informal sector because of operating with outdated by-laws or not having consistent policies that support the informal sector. This implies that in developing a policy for the management of the informal sector, local authorities should review how the other policies and by-laws directly or indirectly affect the informal sector and address any gaps.

5.7 CONCLUSION

Apartheid South Africa restricted participation of blacks in the formal economy, forcing most to join the informal sector. Even so, the informal sector was characterised by harassment as it was illegal. As a result, informal economy decreased as a percentage of the GDP during the apartheid era. This, however, changed in the 1990s with the introduction of the Business Act 71 of 1991. This Act recognises the contribution of the informal economic activities to the country's economic growth.

The interest in the informal economy has been revived of late. This has been due largely to the important role that the informal economy can play in creating job opportunities, particularly in the developing countries.

This chapter has looked at the evolution of the legislative and regulatory environment in South Africa. What has become very clear is that due to the past policies of apartheid, the informal sector's growth has been highly limited. This is one of the results: South Africa has a small informal economy while it has a high unemployment rate. Ordinarily, in a country with a high unemployment rate, one would expect to find a high informal sector, as in countries like India. Several barriers here mean that the majority of the unemployed are still unable to enter into self-employment activities.

The White Paper on National Strategy for the Development and Promotion of Small Business in South Africa provides a good basis for supporting small and micro enterprises in an endeavour to create the much needed jobs and alleviate poverty. It is acknowledged that a high percentage of the small and micro enterprises are constituted by the informal economy. However, one of the concerns is that although the majority of the participants are survivalist enterprises, the White Paper is silent on intervention mechanisms. Intervention mechanisms should not only focus on sustaining survivalist enterprises, but assist productive enterprises to grow. Indeed, interventions must aim at assisting survivalist enterprises to become productive units.

Finally, it has also been made clear in this chapter that any policy that aims to support the sector must be relevant to the local conditions. Furthermore, building the management capacity of the business owners should be central if the sector is to grow.

CHAPTER 6

STREET VENDING: INTERNATIONAL AND NATIONAL CASE STUDIES

6.1 INTRODUCTION

Millions of people in cities and towns earn their living by selling on the streets and other public places. This is the most visible occupational category of the informal economy and the numbers keeps on increasing. These are the street vendors or informal traders. The increase is despite earlier belief that the informal economy is temporary and would decrease with economic growth. In fact, the informal economy continues to grow in many places. Despite a further belief that the informal sector is only for the poor and uneducated, a case study of street vending in Singapore found that in contrast to the past, new entrants to the sector are young graduates who offer international dishes that capture tourists (Bhowmik, 2005: 2259).

Street trading is an important economic activity. It is a major source of income for the working poor and sustains many people within the developing countries (Ghosh, Sengupta & Roychoudhury, 2008: 1 and Mitullah, 2004: 2). Street vendors offer goods and services to a certain clientele. Generally, their customers are the poor people who cannot afford the prices charged by the retail stores. In this instance, the people depend on the goods offered by street vendors that are normally affordable (Bhowmik 2003: 2 and WIEGO, undated). What is interesting is that the majority of the street vendors operate without licenses or any other legal protection (Chen, 2004: 3).

Despite this important role, street vending is not recognised in many national economic statistics. This is because it has always been viewed as an underground activity and a nuisance undermining the functioning of the formal economy. Its contribution to the economy is never recorded. This is the case even for local authorities which get revenue from this sector. Although the authorities get significant revenue from this sector, records of the number of street traders are not maintained.

Furthermore, very little is known about the links of street vendors to the formal traders, or even the contribution of street vending to the economy as a whole (Mitullah, 2003: 3). According to Boyle (2004: 12), although South Africa's informally economy employed up to 1.8 million people, government knows little about the sector.

Street vending dominates much of the informal economy, representing a bigger share, with women forming a majority (ILO, 2002a: 16). This study seeks to propose policy considerations for the management of street trading in Polokwane Municipality. This chapter looks at the characteristics of street vending, as well as the challenges faced by the street vendors. Various case studies on street vending, both international and national, are analysed to determine trends and patterns. Case studies from some Asian, European and African countries are analysed. The focus is on the policy approach by different countries in the management of street traders. The intention is to assess the state and nature of street vending in the various countries, as well as to assess the various measures adopted to manage the sector.

The study further makes an analysis of the management of street vendors in some municipalities in South Africa. It assesses the policies and regulations for the management of street vendors in eThekweni Metropolitan Municipality, City of Cape Town Metropolitan Municipality, City of Tshwane Metropolitan Municipality and the Johannesburg Metropolitan Municipality. The purpose of the analysis is to determine the success factors and the challenges faced by both authorities and the street vendors. The lessons from the case studies will then be used to make recommendations on key issues that the Polokwane Municipality should consider when developing a policy to successfully manage street trading.

The information is important for the study in that it provides basic information on what should be considered by the municipality in order to develop an effective policy. The chief principle to consider is that although street vendors work under unfavourable conditions, local authorities can overcome this by adopting prudent and relevant policies.

6.2 DEFINING STREET VENDORS AND THE IMPORTANCE OF STREET VENDING

Of all the groups in the informal economy, the most visible are the street vendors/traders. According to a report by Women in Informal Employment Globalizing and Organizing (WIEGO), the majority of the informal workforce trade on streets and other public places (WIEGO, undated). In fact, the majority of the self-employed people within the informal economy are street vendors (Mitullah, 2004: 2).

Street vendors are defined in several ways. Bhowmik (2005: 2256) defines a street vendor as a person who offers goods or services for sale without a permanent built-up structure. The challenge of this definition is that in some cases, some people that sell on the streets have constructed “illegal” permanent structures. Local authorities have constructed some permanent structures for street vendors. This could mean that if a person sells on the streets but has a permanent structure, such a person might not qualify to be a street vendor in terms of Bhowmik’s definition. According to Chen, Vanek & Carr (2004: 22) and Chen (2004: 3), street vendors are people who work on the streets or open public spaces. WIEGO simply defines a street vendor as a person who sells goods and services in a public space (WIEGO, undated).

Considering these definitions, it can be concluded that a street vendor is any person who sells goods or services in a public space with or without any permanent structure. These people may be stationary (selling from one place) or mobile, moving from one area to the other (Bhowmik, 2005: 2206 and Mitullah, 2004: 8).

Street vendors trade in various goods and services like fresh produce, clothing, electronic equipment, commercial payphone services, barbering and garbage collection (Chen, 2004: 3; Chen, Vanek & Carr, 2004: 24; Mitullah, 2003: 7 and WIEGO, undated). Most of the businesses are one-person operations. The working conditions of the operations differ. Some sell from covered stalls, and some squat on the ground displaying their merchandise, while others simply hang their merchandise on walls, trees or fences (Mitullah, 2003: 7).

There are various reasons for people to become street vendors. Roever (2006: 1) indicates that people join street vending as a result of rural-urban migration, economic crisis or neo-liberal reform. According to Bhowmik (2003: 1) and Ghosh, Sengupta & Roychoudhury (2008: 1), street vending is the source of livelihood for the urban poor. It is also the easiest way for the poor to earn a livelihood. This view is supported by WIEGO, which maintains that street vending is the only occupational option that is available for many people to earn a living.

Some people join street vending as a result of having lost jobs in the formal sector. In this instance, street vending allows them to make a living. Other people join after leaving rural areas to go to cities in search of employment opportunities, with little or no skills and thereby unable to be absorbed by the formal economy. It is not only the uneducated that cannot get jobs. Even the skilled sometimes cannot be get employment in the formal sector. All these people resort to the informal economy as a means for their survival (Bhowmik, 2005: 2256). What is interesting is that unlike in the past, street vending is no longer limited to people from the lower income group. Instead, there are entrepreneurs that have joined the sector as an option (Mitullah, 2003: 4). This is also evident in countries like Singapore, where young, educated people have established successful businesses as street vendors; attracting tourists through the international dishes they sell (Bhowmik, 2005: 2259).

Goods sold by street vendors are normally cheap. Most urban poor and lower income groups purchase from the street vendors, since their prices are affordable when compared to prices charged by retail stores (Bhowmik, 2003: 2; 2006: 2). It can also be argued that this is a transaction among the poor. As Bhowmik (2003: 2) maintains, without the street vendors, the plight of the urban poor could become worse. In essence, the street vendors help others to survive. One can argue that both sides (provider and client) win. It is actually a win-win situation.

Street vending is increasing in most countries. This is despite the general belief that when the economies and incomes rise, then the number of street vendors (and the informal sector generally), would decrease. Several reasons can be attributed to the increase. One of the reasons for rapid growth is because the financial input required to

start the business, as well as skills requirements, are low (Bhowmik, 2003: 1 and Ghosh, Sengupta & Roychoudhury, 2008: 37). Statistics on street vendors differ from one country to the other. For example, Brazil and Mexico were estimated to have over one million street vendors, while India had more than three million street vendors. Other studies revealed that in some African and Asian countries, street vending accounted for 73 to 99 percent of total employment in trade (WIEGO, undated). Mitullah (2003: 4) maintains that in Kenya, street vending provides employment and income to approximately 70 percent of the population. Generally, it is very difficult to estimate the number of street vendors, due to the fact that the majority are not registered, and there is high mobility as well as seasonal variation in their work (WIEGO, undated).

According to Mitullah (2003: 10), local authorities in Africa contribute negatively towards the growth of the informal economy due to the type of policies, by-laws and regulations that are used. This is because most of the policies and by-laws that regulate street trading were developed to ensure that cities and towns were safe and clean (Mitullah, 2004: 18). This phenomenon has been experienced in other Indian states. According to Ghosh, Sengupta & Roychoudhury (2008: 40), a survey conducted in India found that most states regarded street trading as an illegal activity. In the few states where they are legally recognised, street vendors are still limited to trade, with very few traders given the permission to trade. To address this problem, any policy developed to manage street trading should firstly acknowledge the contribution of the sector to employment, reasons for joining the sector as well as the regular mobility of the vendors as they align to changing pedestrian/traffic patterns. Furthermore, it requires the authorities to understand the seasonal nature of some products, and plan for those as well.

Of interest is the relationship between street vending and gender. Research has shown that the majority of the street vendors are women. This could be attributed to the low costs of entry as well as flexible working hours in the sector (Chen, Vanek & Carr, 2004: xiii; ILO, 2002a: 16 and WIEGO, undated). According to ILO (2002a: 16), in Sub-Saharan Africa, women traders form the majority of the street vendors in most countries. In Benin, for example, women constitute 92 percent of informal traders. In countries like North Africa, Middle East and South Asia that restrict the movement of

women outside home, the majority of male vendors sell goods prepared by women at home (WIEGO, undated).

Other issues that should be considered when developing the policy for managing street vendors are (WIEGO, undated):

- Female street vendors are more likely to operate in an insecure or illegal space.
- Women trade in less lucrative goods.
- Women generate lower volume of trade.
- The majority of women work as employees of other vendors.
- Women generally earn less than men.

6.3 CHALLENGES OF STREET TRADING AND THE DILEMMA OF LOCAL AUTHORITIES

Street trading is not only a source of employment for the majority of the urban poor, it also provides the urban population with goods and services required at a lower price. This sector is therefore critical for the urban poor. Unfortunately, despite these benefits, some local authorities view street vending as an illegal activity that undermines the healthy functioning of formal businesses, and street vendors are treated as criminals (Bhowmik, 2005: 2256 and Mitullah, 2003: 3). Street vendors are seen as contributing to urban management problems such as making areas dirty, crime, noise, and grime (Randburg CBD Informal Study, 2002: 9 and Roever, 2006: 29). Street vendors in most countries face terrible working conditions. In certain instances they have been beaten by police; sometimes they have to pay bribes to corrupt officials in order to continue operating. They generally do not have legal rights and are constantly harassed by authorities (WIEGO, undated). According to Mitullah (2004: 20), in Uganda officials view street trading as an illegal activity that obstructs traffic and makes cities dirty, and therefore has to be curbed. This is to a large extent ascribed to the previous rule of colonialism where British rules mandated local authorities to discourage street trading, which in their opinion, led to unsafe and dirty environments (Mitullah, 2004: 18).

Street trading has in the past been viewed as an underground economy. To date, some of the European Union countries still refer to the informal economy as the underground economy (Barta, 2009 and ILO, 2002a: 23). Street vending has been seen as a sector that undermines the healthy functioning of the formal economy (Mitullah, 2003: 3). This could be the reason some cities restrict street trading in an endeavour to create “cleaner” cities. In most Latin American countries, street vendors were removed from the inner city to the so called “off-street” commercial centres (Roever, 2006: 34). This is despite the contribution of the sector to urban economies, and the fact that it is a source of livelihood for the poor (Bhowmik, 2005: 2256, Mitullah, 2003: 3 and WIEGO, undated)

Street vendors generally lack legal status, representation and voice. This is a condition that affects most informal workers. This point is stressed by Chen, Vanek & Carr (2004: 23). According to them, people working in the informal economy suffer from lack of legal protection and economic security (Chen, Vanek & Carr, 2004: 23). Generally, street vendors are faced with the following challenges (Bhowmik, 2003: 3-6, Ghosh, Sengupta & Roychoudhury, 2008: 37-50; Mitullah, 2003 and Mitullah, 2004):

- Inability to access secure places to conduct trade.
- Harassment from authorities. The harassment occurs in several ways like demands for bribes, having goods confiscated or being evicted from selling places.
- Street vendors are often seen as a nuisance to the formal business and traffic, and as such are harshly treated by authorities.
- Lack of supporting services and infrastructure such as water, electricity, waste removal, latrines, shelter, storage space and financial services.
- Low incomes.
- Exposure to diseases as a result of their working conditions.
- The majority of street traders are unorganized and isolated.

These challenges manifest themselves clearly as authorities try to strike a balance between creating cleaner, safer, healthier cities and supporting this livelihood. A typical example is clearly captured in an article by Tolsi (2009). This article, which is

about the development of a shopping mall in eThekweni's Warwick Triangle, clearly portrays the dilemma faced by local authorities. The eThekweni Municipality wants to develop a shopping mall to replace a 99 year old building used by informal traders. According to the traders, the development of the mall has the following implications (Tolsi, 2009):

- Reduction of the current 1000 informal traders to only 150 that can be accommodated around the mall.
- The planned mall will change the pedestrian and consumer patterns in the area, and thereby negatively affecting the traders' income.
- Informal traders will have to compete with the formal chain stores located in the mall.

According to Skinner (2009: 106), the development of the mall will change the current set-up in that taxi bays would be located on the third floor, and train station concourse would be on the second floor connecting to the bus rapid transport system. The traders would remain on the ground floor, away from the commuters. Since the traders depend on the commuters, this separation would definitely have a negative impact on them.

In addition, the traders feel that they have not been adequately consulted about the decision. According to Skinner (2009: 106), the approach followed by the municipality (in terms of consultation) is in contrast of the collaborative planning approach that the municipality used in the past. One of the traders provides a painful picture of how authorities perceive traders. The trader maintains that the authorities view traders as being dirty, uneducated and unable to make meaningful decisions on their own (Tolsi, 2009). According to Skinner (cited in Tolsi, 2009), since 2004 the approach of the EThekweni Municipality to informal trading has shifted from a people-centred approach towards a more unilateral one.

This scenario indicates the challenges of managing informal business activities in an urban area. It uncovers the delicate situation that authorities are faced with in balancing the conflicting needs of the various sectors. For example, if there was an estimated R1 billion annual turnover in Warwick Triangle without the mall, and the

new mall would generate R3 billion, how would they decide? The challenge is whether the decision should be based solely on financial benefit, or whether it should take into account the social and economic benefits of the decision on the most vulnerable groups. These are some of the issues that should be taken into account when policies to manage informal businesses are developed. The other conflict is as a result of the fact that street traders focus on their right to trade as well as their contribution to the economy. Local authorities in contrast, are sometimes focussed on enforcing safety and health regulations (Mitullah, 2004: 15 and Roever, 2006: 1). The other challenge facing local authorities is managing and balancing the tension between the formal and informal economies. Mitullah (2004: 21) discusses the case of Uganda, where a municipality was forced to “clean” the CBD of all street traders as a result of concerns raised by formal businesses.

Although it is clear that street vending is important, the economic contribution of this sector is greatly underestimated in national labour force statistics and national accounts (Mitullah, 2003: 30). According to WIEGO, most policy makers have a limited understanding of the size and contribution of street vendors in the economy. As a result of this, public policies, urban plans and local government bodies are often biased when dealing with street vendors. Mitullah (2003: 10) argues that municipalities suffocate and kill informal sector activities. This bias could to a large extent be attributed to insufficient understanding of the role of street vending in economic development and job creation.

6.4 ORGANISING IN THE INFORMAL SECTOR

Like any other worker, street traders have the right to organise themselves. This freedom of association allows both the workers and employers to fight for their interests as well as to influence policy decisions (ILO, 2003: 1).

Unfortunately, most people employed in the informal economy, particularly street traders, are not organised, and therefore do not have a strong bargaining power. In India, for example, it was found that less than 20 percent of the street traders were members of unions (Bhowmik, 2003: 4). According to ILO (2003: 1), organising

street trading is different from the other sectors. This is because in the main, street traders have to negotiate with the local government as the main partner, and not employers, as the case would be in the formal sector.

Several organisations have been formed over the years to assist street vendors. These include organisations like the Self-Employed Women Association (SEWA) in India, Self-Employed Women Union (SEWU) in South Africa, National Association of Street Vendors of India (NASVI), StreetNet International and the action research group, Women in Informal Employment Globalising and Organising (WIEGO).

The primary objective of these organisations is to mobilise governments to create an environment that supports street trading. According to NASVI, the aim is to secure the livelihood of street vendors through policy interventions, communicating with policy-makers as well as capacity-building of street vendors (<http://www.nasvinet.org>). When SEWU was formed, the primary aim was to offer support to self-employed women and also to assist them to be recognised for the work they do (<http://www.gdrc.org/icm/wind/wind-women-is.html>). WIEGO is a research network that seeks to improve the status of the working poor, especially women operating in the informal economy (<http://www.wiego.org>). It is not surprising that most of the associations target women, considering that women constitute the greatest percentage of street vendors. In South Africa, for example, it was found out that 70 percent of street vendors are women (ILO, 2003: 4). StreetNet International, however, is an alliance of street vendors which was launched in November 2002. The aim of this organisation is to promote the exchange of information among street vendors, advocacy as well as to develop practical strategies for organizing street vendors (<http://www.streetnet.org.za/english/default.htm>).

The importance of having street traders organised cannot be overemphasised. Once organised, this opens up a communication platform between the local authority as the main negotiating partner and street vendors. It is on this basis that several local authorities facilitate the organisation of street vendors. eThekweni Metropolitan Municipality established the Informal Traders Management Board in 1995, which would represent various street traders' organisations in discussions with the local

authority (ILO, 2003: 10). In the City of Johannesburg, Gauteng Hawkers Association was also formed and registered as a non-profit organisation (ILO, 2003: 12).

Several gains have been made by various organisations such as SEWU, which made the Durban Council provide sleeping, toilet and washing space for the muthi traders in Warwick Junction (ILO, 2003: 17 & Mitullah, 2003: 12). Furthermore, through StreetNet International, the Bellagio International Declaration of Street Vendors of 1995 compelled governments to develop national policies that support street vendors (<http://www.streetnet.org.za/english/page4.htm>). This has in a way contributed to the current approach in the management of street traders by government. Despite all these advantages, as well as the existence of the various associations, most street traders are still not organised. For example, it was found out that only 2 percent of men traders and 6 percent of women traders were members of trader organisations in Durban (ILO, 2003: 10). A study of street vending in various Latin American countries found that there were several street vendor association in various cities, yet most vendors were not members of the organisations. It was further found out that the organisations were small and weak to make an impact on policy direction (Roever, 2006). In most African countries, Mitullah (2003: 12) found out that street vendors were poorly organised and therefore could not fully participate in planning and urban development programmes of their local authorities.

The various case studies here assess, among other things, the state and extent of street trading in different countries.

6.5 INTERNATIONAL CASE STUDIES

Several studies have been undertaken to understand how street vendors operate. One such study was undertaken by Bhowmik on behalf of NASVI. The study focused on the legal status of street vendors, their contribution to the urban economy, problems faced by street vendors and the perceptions of the people towards street vendors (Bhowmik, 2005b). Another study was undertaken by Mitullah on behalf of the WIEGO, to contribute to the World Development Report. The study focused on the state of street vending in six African countries namely Kenya, Uganda, Zimbabwe,

Ghana, Cote D'Ivoire and South Africa (Mitullah, 2003: 2). The Latin American study was conducted by Roever (2006) and focussed on the state of street vending in Caracas, Lima, Mexico City, Bogotá, Santiago and Sao Paulo.

This section focuses on the findings of the various case studies. It assesses how the management of street vendors has been approached by several countries.

6.5.1 Street Vendors in Asia

The study conducted in Asia found that the number of street vendors had increased in the major cities. In India, for example, it was found that in terms of the National Policy for Urban Street Vendors, there were approximately 10 million street vendors, constituting approximately 2 percent of the population of a metropolis.

It is interesting to note that the number of street vendors in countries like India, Thailand, Singapore and Philippines increased significantly after the financial crisis in 1998 (Bhowmik, 2005: 2256). This is because during financial crises, most companies retrench people. Those who lost their jobs would then find employment in the informal sector. Since street vending is one of the sectors with ease of entry, most people would then join the sector (Gosh, Sengupta & Roychoudhury, 2008: 1). This fact is well captured by Chen, Vanek & Carr (2004: 24), when they maintain that employment in the informal sector grows during periods of economic recession. When most people lost their formal jobs during the Asian crisis, the informal economy became the major source of employment for the majority (Chen, Vanek & Carr, 2004: 24). This is the reason Chen (cited in Barta, 2009) advises that authorities should see the informal economy as a solution to urban decay and unemployment rather than a problem.

Case Study 1: Street Vendors in Bangladesh

Informal trading occurs largely in the urban areas. Dhaka, which is the capital city of Bangladesh, is no exception. The city has approximately 90 000 street vendors. Although the number is high, street vending is illegal and as such the street vendors face constant harassment from authorities. Furthermore, the vendors pay a significant

amount of their income as bribe in order to continue trading and avoid harassment. Other challenges facing the street vendors in Bangladesh include lack of space for vending and lack of awareness about their rights and poverty (Bhowmik, 2005: 2257). On the positive side, though, the street vendors are unionised with several trade unions working among them. One of the major issues the union negotiated with government was for government to develop a national policy on street vendors. It is believed that the adoption of the policy would to a large extent legalise street vending and thereby assist with the problem of harassment by authorities (Bhowmik, 2005: 2257).

Other findings of the study are (Bhowmik, 2005: 2257-2258):

- The majority of the street vendors are between the age group of 30 to 40 years.
- The majority of the participants are women and migrants with low educational background.
- Most traders sell food.
- The vendors do not make enough profit and move from one place to the other for better markets (high mobility).
- Women contribute significantly to this sector. Although it is men that sell, they however depend on the women to prepare the items for sale.
- Street vendors cannot access credit facilities and rely exclusively on social networks. As a result, they are limited from increasing their income.
- The prices charged by the street vendors are low and benefit the urban poor (day labourers, rickshaw pullers, migrants).
- Since street vendors are in the informal sector, there is no systematic documentation of those trading in food. Mitullah (2003: 3) maintains that most authorities do not have a record of their vendors, as well as their contribution to the urban economy. It is therefore not surprising that even in Bangladesh; the local authority did not have any records of their street vendors.

Bhowmik (2005) stresses the fact that there should be cooperation between municipalities and the law enforcement agencies in order to deal with problems related to poor hygiene, since most of the vendors trade in food.

Case Study 2: Street Vendors in Sri Lanka

Unlike Bangladesh, street vending is not totally illegal in Sri Lanka. Vendors pay a daily tax to the municipal council in order to sell on pavements. As in other countries, the street vendors here can be evicted anytime the municipal council feels that they cause problems to the general public without any provision of alternative sites.

Although the street vendors are legalised and pay tax, they however lack security to carry out their trades. Some of the findings of the study are listed here (Bhowmik, 2005: 2258):

- Street vendors sold cheaper goods than those sold by big stores.
- Street vending is the only source of employment and livelihood for approximately 10 000 street vendors, excluding food vendors.
- The majority of street vendors are women and children.
- Street vendors lacked security and access to credit.
- The majority of street vendors trade in food and the number is increasing due to demand.
- The income of food vendors is higher than that of other vendors.

Despite the challenges, the environment in Sri Lanka is slightly better than in other countries. Due to the contributions of the street vendors to the country's economy, the Colombo municipality is assisting food vendors. The municipality has provided carts for food vendors and a high standard of hygiene is maintained (Bhowmik, 2005: 2258).

Case Study 3: Street Vendors in Bangkok

Bangkok has a high number of street vendors, with almost every street having street vendors. The municipality demarcated sites for street vendors, with a total of 287 sites in the city and 14 sites on private land. Due to the high number of street vendors, some operate on sites that are not authorised (Bhowmik, 2005: 2258).

The majority of the participants are engaged in food hawking. A study conducted by Food and Agricultural Organisation (cited in Bhowmik, 2005: 2259) indicated that there were 6040 hawkers selling raw foodstuff, and that this represented 30 percent of the total street hawkers in 1993. A follow-up study in 2001 found out that there were 26000 food hawkers in authorised areas. This is a significant increase. Furthermore, the majority of the participants joined the sector as a result of being retrenched by the formal economy and inability to find alternative jobs.

The following reasons for the proliferation of food vendors in Bangkok (Bhowmik, 2005: 2258-2259) are provided:

- The population in Bangkok likes eating out, so the food traders form an integral part of the cultural tradition.
- The sector provides cheap but nutritious meals for the urban poor. Poor people can afford the prices and small amounts of food packaged by street vendors.
- The tourism sector supports the vendors as they search for local variety of foods.

It can be said that in Bangkok, street vending is an integral part of the local economy (Bhowmik, 2005: 2258). Despite these developments, street vendors face the following challenges (Bhowmik, 2005: 2259):

- Frequent raids and evictions for street vendors operating in unauthorised areas.
- Belief that the street vendors contribute to traffic congestion.
- Street vendors do not get maximum recognition and support from government.

Case Study 4: Street Vendors in Singapore

According to Bhowmik (2005: 2259), Singapore represents one of the countries with a well-managed street vending sector. There are nearly 50 000 street vendors in the city-state, and are all licensed. Like in many countries, the items sold by the vendors are cheaper than those sold in shops, attracting a lot of poorer people, workers and students.

To effectively manage the traders, a hawkers department has been established with the following duties (Bhowmik, 2005: 2259):

- Issues out licenses to anyone who wants to sell goods on the pavements.
- Ensures that the hawkers keep their environment clean and do not disturb pedestrians.
- Provides hawkers with the basic food stalls facilities and services like piped potable water, electricity as well as garbage collection and disposal, to ensure compliance with the Environmental Public Health Act of 1968. All street hawkers are settled into food centres and markets and pay rent for the usage of the stalls.
- Conduct regular training on food and personal hygiene and nutrition.

Interestingly, and different from other countries, there is the emergence of a younger, better educated street vendors. This is due to rising unemployment where young graduates cannot be absorbed by the formal economy. The younger vendors are introducing new international dishes, with increasing popularity (Bhowmik, 2005: 2259). There are no serious challenges faced by street vendors mentioned in the study.

Case Study 5: Street Vendors in Kuala Lumpur

Like in other Asian countries, the number of street vendors (both licensed and unlicensed), increased sharply in Kuala Lumpur after the Asian financial crisis. The country adopted a policy entitled the National Policy on Hawkers, which gives recognition to street vendors. The aim of the policy is to tackle social and economic problems associated with street vending. According to the policy, government would provide funds to support credit schemes and training programmes for street vendors. This approach was informed by the objective of making Kuala Lumpur a clean, healthy and beautiful city for the local people and tourists (Bhowmik, 2005: 2259).

Overall, the state of street vending in Kuala Lumpur is as follows (Bhowmik, 2005: 2259):

- The number of street vendors continues to rise sharply. The majority of the hawkers sell food.
- A department has been established to manage street vending. The department provides stalls for the vendors and manages where trading takes place. For example, food hawkers are allowed to trade in food centres in buildings. The department works together with other stakeholders like NGOs.
- Licensing the hawkers is a challenge, and a significant number of the hawkers are not licensed.
- Street vendors can trade in densely populated residential areas and industrial estates, but there are no hawking sites provided in such areas.
- Licensed hawkers can access institutional credit from government.
- Training programmes are organised regularly, focussing on areas such as health and hygiene, business skills and account management.

Case Study 6: Street Vendors in India

Like in the rest of the world, street vending continues to increase substantially in the major Indian cities. It is estimated that 2,5 percent of the urban population in India is engaged in street vending (Bhowmik, 2003: 1).

Studies conducted in various cities of India like Mumbai, Kolkata, Bangalore, Bhubaneswar and Ahmedabad found that (Barta, 2009; Bhowmik, 2003: 5; Bhowmik, 2005: 2262-2263 and Gosh, Sengupta & Roychoudhury, 2008: 36-28):

- Most states regard street trading as an illegal activity. In states where street trading is legalised, the vendors suffer harassment and lack of security.
- Women earn less than men due to various reasons. For example, they spend fewer hours trading due to other responsibilities, and come from poor households with no capital to invest.
- Women work under gruelling conditions for long hours and are frequently harassed by municipal authorities and the police. They also suffer harassment from male vendors where they are not unionised.
- Street traders pay most of their earnings as rent to the authorities or bribes to prevent harassment.

- 85 percent of vendors in Mumbai complained of stress-related diseases like migraine, hyperacidity, hyper tension and high blood pressure. This is an indication of unhealthy working conditions.
- A high proportion of participants joined the sector after losing jobs in the formal sector.
- The majority of the traders are not organised. Where they are organised, they are able to enjoy better protection from harassment by authorities.
- Men vendors are more unionised than women, and thus are able to protect themselves than the women vendors not unionised.
- Food vendors sold cheap and nutritious food (Bhowmik, 2005: 2262-2263).
- The establishment of the Self-Employed Women's Association (SEWA) has benefited most women vendors. The network assists in capacity-building of the women and also offers protection to street vendors from harassment by officials.
- Of the seven cities studied by Bhowmik (2001), only Imphal had clear written rules for street trading.
- 57 percent of the street traders surveyed lacked fixed premises.
- There is need to improve employment generation, income generation and the working condition of the street vendors.
- The majority of traders live far from where they trade and as a result have to travel long distances on a daily basis. This has implications on their income.

6.5.2 Street Trading in Africa

Studies were undertaken in several African countries to determine the state of street vending. One of such studies was undertaken by Mitullah (2003) to assess street trading in Kenya, Uganda, Zimbabwe, Ghana, Cote D'Ivoire and South Africa. The study found that in all the cities that were studied, street vending is a major source of income and employment for the majority of the people. As such, there is high incidence of street trading in the cities (Mitullah, 2003: 3).

Some of the findings of the studies are highlighted here (Mitullah, 2003, 2004):

- The sector is highly neglected as it has always been viewed as a nuisance that undermines the healthy operations of a formal economy.
- Most local authorities do not have proper records of street vendors in their areas of jurisdiction. As a result, the contribution of this sector cannot be clearly accounted for in the national economic statistics.
- The sector contributes significantly to employment and economy in general. For example, in Kenya, street vending is part of Small and Micro Enterprises (SME), which account for 70 percent of employment.
- Most street vendors join the sector due to unemployment and lack of other sources of income.
- Women join street vending later in life and continue trading until they are old, while men join street trading in their early years and leave to pursue other jobs.
- The majority of the participants have low levels of education, although this has been improving over the years. In Ghana, Uganda and Kenya, for example, it was found out that the majority of the street vendors have formal primary education compared to Abidjan, where the majority of the vendors were illiterate or semi-literate. The situation in Kenya has been improving over the years: at least 33.6% of the street vendors have a secondary education.
- Women dominate street trading.
- Most people engaged in street trading are bread winners. This implies that trading is their source of livelihood, and their only option between starvation and a dignified life.
- The study in Kenya revealed the linkage that exists between the formal and informal enterprises. It was found that most street vendors who sell high value goods are in most cases just an extension of the formal businesses. They sell on behalf of the formal businesses but without the benefits of being formally employed.
- Most of the participants have entered the sector as a consequence of retrenchment, landlessness and poverty.
- The traders work abnormal hours yet the incomes are very low.

- The traders provide good products at reasonable and affordable prices. This is a trend that has been observed in other Asian countries like Sri Lanka and Bangkok (Bhowmik, 2005: 2258-2259).
- The traders do not have proper infrastructure and services such as waste removal, water, electricity, storage and shelter. They use different structures for displaying their goods like tables, racks, wheel burrows or even bicycle seats.
- The majority of the street vendors are not organised. As such they work in isolation and have no one to defend their rights or set up effective communication channels with authorities. They are continually harassed by local authorities. It was found that even in a country like South Africa with a strong culture of worker organisation, the informal sector remains largely unorganised and receives very little support from trade unions.
- There is much conflict between street traders and local authorities. While the traders focus on laws that recognise their rights to trade and thereby contribute to the economy, local authorities focus more on enforcement of health and safety regulations.
- Most local authorities still use outdated policies and bylaws. As a result, they have even placed management of street trading in wrong departments, like Traffic and Enforcement Departments. Being former colonies of Britain, most countries still use controls that were aimed at making towns and cities safe and clean by prohibiting street vending. As a result, most countries are applying irrelevant and ineffective policies, and are therefore unable to even enforce them. Countries like Uganda, Zimbabwe and Ghana use outdated street trading bylaws. Even in countries where street vendors are mentioned in policy papers (Kenya), and are regarded as SMEs, the street traders are not targeted for assistance. The same concern has been raised in the case of South Africa. According to Valodia, Lebani and Skinner (2005: 14), although the 1995 White Paper on National Strategy for Development and Promotion of Small Business in South Africa acknowledges the existence of survivalist enterprises, it is not clear how these enterprises (the majority of street traders), will be targeted for assistance.

- Of the countries studied by Mitullah (2003), South Africa pioneered the move urging a more integrated approach towards the development of policies and regulations that affect street vendors.
- There is insufficient dialogue between the local authorities and the street traders. This could (to a certain extent) be linked to the fact that the majority of the street vendors are not organised. As a result, street traders are not consulted when policies and by-laws that affect them are developed and therefore cannot make any meaningful input to ensure that their needs are considered.
- Male traders can afford to invest in enterprises that require high capital. As a result they get more returns compared to women, who mainly engage in activities that require less capital and less profit.
- 75 percent of street traders in South Africa are breadwinners.

6.5.3 Street Trading in Latin America

Referred to as street commerce, street trading is the most visible of the informal economy in Latin America (Roever, 2006: 1). This sector grew as a result of various factors such as rural-urban migration, the 1980's economic crisis and neo-liberal reforms. These factors resulted in high unemployment, making many people join the informal sector in order to get some income (Roever, 2006: 1). The other contributing factor to an increase of street vendors was low entry barriers. The increase resulted in challenges for the local authorities, who had to devise plans to manage the sector in a way that balances traders' expectations (right to work) and the local authority's role of managing and regulating (Roever, 2006: 1).

A study of street vending in several major Latin America cities such as Bogotá, Caracas, Lima, Mexico City, Santiago and Sao Paulo revealed the following (Roever, 2006):

- The street vending population, which constitutes the largest part of the informal sector, increased substantially over the past years, particularly in urban areas. The increase is mainly ascribed to the 1980's economic crisis,

insufficient economic growth and the 1990's neo-liberal reforms that led to the downsizing of employees by state-owned enterprises.

- Street traders who have operated their businesses from the same space over a longer period of time, had established lucrative businesses and generated reasonably better income. They further provided better working conditions.
- Those who trade in low-value goods such as candy, and have no fixed location, from which they trade, had remained survivalists.
- Most countries have developed legal frameworks to govern street vending. For example, the Constitution of Columbia (1991, Article 82) gives mayors the power to protect public spaces, and this includes managing street vendors. Generally, in countries with a clear legal framework (such as Chile and Colombia), street vendors enjoyed better working conditions.
- Street traders have formed several organisations/associations. In Bogotá, for example, it was found that street vendors had a higher rate of unionisation than other informal workers. The associations are normally small and limited to a block or single street, with a few dozen members. The associations facilitate the work of the traders, as well as defend their rights. They further assist in various fields such as resolving conflicts among traders, serving as a link between the vendors and local authorities and facilitating social networks among the traders. Unfortunately, the observation is that the associations are relatively too small and weak to make serious intervention in the national policy agenda.
- The majority of street vendors were women.
- Confusion regarding the roles of metropolitan mayors and municipal mayor with regard to urban planning made it difficult to control street vendors. In a country like South Africa, it is also critical that the role of the different spheres is clearly aligned to ensure effectiveness and to provide clarity when there are overlaps in functions.
- Lack of resources to fund and support various campaigns for managing (through relocation and formalisation) street vendors, resulted in problems. The study found out that even in municipalities where the ordinances were clear, the cities could not enforce legislation due to lack of resources. In such

instances, the vendors took advantage and complied selectively with some parts of the various frameworks.

- There has been constant confrontation between the vendors and local authorities regarding the interpretation of the statutes.
- Street vendors are often associated with urban management problems such as crime, noise, congestion and accumulation of garbage.
- Leadership positions in organisations are held by men, even though the majority of the traders are women.
- In some cities like Mexico, street vendors are among the largest categories of workers in retail shops (both specialised and non-specialised). There are also more street vendors than workers in supermarkets, departmental stores and car sales.
- Income levels are low, with women earning less than men.
- To clean up areas, most countries relocated street vendors from “inner cities” to off-street commercial centres. Although this worked in some instances, the challenge experienced was that when sales dropped, most street vendors left the centres and moved back to the streets.
- Vendors suffered harassment from police, and had to pay bribes in order to be able to trade, or to be allowed to trade in restricted zones near railways, schools or hospitals.

6.6 SOUTH AFRICAN CASE STUDIES

Like other countries, South Africa is also faced with an ever-increasing number of street vendors. This is prevalent in urban areas. This section looks at the state of street vending and South Africa. It analyses various metropolitan municipalities, assessing how they are dealing with the developmental challenge of the informal economy in general and street trading in particular.

Like many countries, South African cities and towns abound with street vendors. This is because street trading is a source of employment for the unemployed and provides income to the poor (Mitullah, 2003: 3). As in other former British colonies, the

approach towards management of street vendors in South Africa was that of regulation and continuous harassment. Street traders were seen as a nuisance that made cities and towns dirty. As a result, the by-laws gave local authorities the powers to forcibly remove street traders (Mitullah, 2004: 18).

This has, however, changed. According to Mitullah (2004: 14), South Africa pioneered research on policies and regulations that affect street vendors. The South African government has over the years adopted legislation and policies that create an enabling environment for the informal economy to grow. This includes the provisions of the 1996 Constitution, the 1991 Business Act, the 1995 White Paper on National Strategy for Development and Promotion of Small Business in South Africa and the 1998 White Paper on Local Government. This legislative and policy environment provides a framework for the operations of local authorities (Mitullah, 2004: 15). For example, local authorities are mandated to consult with communities when policies are developed as per Section 195(1)(e) of the Constitution.

This implies that when a municipality develops a policy to manage street vendors, it should consult them. As a result of provisions like these, the relationship between local authorities and traders has gradually improved (Mitullah, 2004: 16). According to Mitullah (2004: 16-17), South African cities like Durban and Johannesburg adopted a more developmental approach when dealing with street trading.

The White Paper on Local Government (RSA, 1998) mandates municipalities to be sensitive to marginalised groupings. This implies that in dealing with vulnerable sectors, municipalities should be sensitive. The challenge is whether the municipality's approach to the management of street vendors is sensitive and takes into account their vulnerable position.

Municipalities are furthermore expected to be developmental in nature, hence the concept developmental local government. According to the White Paper on Local Government (RSA: 1998), a developmental local government is government that works with citizens and groups to find sustainable ways to meet their social, economic and material needs and improve their quality of their lives, changing the lives of the communities for the better. This means that one of the objectives of municipalities

should be to facilitate growth of the local economy. To attain this objective, municipalities must support activities that positively affect the local economies. Such activities are informal business activities, of which one is street trading.

The White Paper on Local Government (1998) also advises municipalities to initiate policies and programmes that would alleviate poverty and result in the creation of the much needed jobs. Taking this provision into account, it means that one of the policies that municipalities should initiate or review is the policy aimed at managing informal businesses generally, and street vendors in particular. This is because as Swanepoel and de Beer (2006: 12) maintain, the economies of most communities are manifest to a large extent in the informal system. The informal economy contributes positively to poverty alleviation, income generation and creation of employment opportunities (Barta, 2009). This is in line with the ideals of a developmental local government. If the informal economy is not considered as an important player in the economy, and not properly “treated,” this can exacerbate the poverty that is a feature of most areas. This poverty manifests itself through lack of income, insufficient resources and vulnerability to social, political environmental and economic shocks (Mokate, 1999: 187). The informal economy is important in addressing most of these challenges and can contribute directly to poverty reduction.

According to Schedule 4 Part B of the Constitution, trading regulations are a function of local government. To perform this function properly, municipalities are expected to develop policies and by-laws that will enable it to perform effectively. All this should be done within the context of a developmental local government as per the provisions of the 1998 White Paper on Local Government and other legislations. According to Mitullah (2004: 15), studies conducted in South Africa indicate that most cities have developed trading policies. It is further maintained that these policies focus on the promotion and development of the informal businesses.

This section assesses how various municipalities in South Africa, namely, the City of Cape Town Metropolitan Municipality, City of Johannesburg Metropolitan Municipality, eThekweni Metropolitan Municipality, and City of Tshwane Metropolitan Municipality, are managing informal trading following the democratic

dispensation in 1994. It will assess the municipalities' policies and institutional mechanisms for the management of informal trading, as well as the nature and characteristics of the street vendors in each city. The aim is to identify the similarities and differences, in order to check the extent to which such policies assist the sector to unleash its developmental potential.

The section will further assess the extent of street vending in the municipalities, the challenges experienced by municipalities in managing the sector, as well as how the challenges have been overcome. It will ascertain whether the assertion that South African informal trading policies develop and promote the informal sector as highlighted by Mitullah, (2004: 15), is indeed correct. The lessons from these case studies will then be used to inform the recommendations for policy development.

6.6.1 eThekweni Metropolitan Municipality

eThekweni Metropolitan Municipality (EMM) is one of the six metropolitan municipalities in South Africa. Like other cities, the municipality is faced with the challenge of managing informal businesses. Unlike other cities, EMM has, however, responded positively to the growth of the informal economy, both informal work and enterprises. It is one of the most researched cities in South Africa on management of informal traders and the informal economy in general. The City has also been hailed as one of the most progressive cities as it attempts to integrate the informal economy into the mainstream economy (Durban's Informal Economy Policy, 2001: 5; Mitullah, 2004: 22 & Skinner, 2009: 101). This notion is further stressed in the City of Tshwane's Informal Trading Framework (2004: 3), where it is indicated that Durban has been ahead in terms of integrating informal economy concerns into appropriate institutions at municipal level.

(a) Nature and character of street trading

EMM's policy on the informal economy provides some critical facts on the nature of street trading and the informal economy as a whole. The policy acknowledges the

important contribution of informal traders to the economic and social life of the city and indicates the following facts (Durban's Informal Economy Policy, 2001:3-4):

- The informal economy contributes significantly to job creation. By 1996, Durban had approximately 20 000 street traders, of which 60% were women.
- In addition to the street traders, a significant number of people worked from houses, as child minders, in the manufacturing as well as repair work. Others worked as garbage pickers, cardboard recyclers or as casual labourers. This indicates the high number of people employed in the informal economy.
- Informal work creates jobs. It is estimated that the muthi trade created approximately 14 000 jobs, with about R170 million spent on raw and prescribed muthi products.
- Home-based and outside workers outnumber street traders.
- The other predominant sector is the provision of cultural artefacts, probably due to the tourist market.

Studies conducted on the state of the informal economy in EMM indicate the following (Lund & Skinner, 2003; Skinner, 2005; Skinner, 2006 & Valodia et al, 2007):

- Generally those working in the informal economy in Durban seem to have large numbers of people dependant on their income. Few informal enterprises have any valuable assets. Of all the traders studied, over two thirds of respondents had assets that they value equal to, or below R6 000.
- In terms of preferred locations, informal traders suggested fixed stalls in markets and other facilities provided by the municipality.
- This is a strong linkage between formal and informal business sectors. Most traders indicated that their source of supplies and raw materials was medium to large enterprises.
- Although not many, 56 percent of enterprise owners had one or more people working with them. This indicates the employment creation ability of the sector, though it is not very high. The sectors with the highest percentage of job creation were metal work, crèches, construction and shebeens.

- The trade sector does not create many jobs, with the rankings being craft (27.5 percent), traditional medicine/muthi (38.8 percent) and apparels (42.7 percent).
- Although crime was reported as a problem, the sectors responded differently. It was found that spaza shops and those working in apparel, metal work and shebeens, were more likely to be victims of crime than those operating in other activities.
- Earnings are very low. Very few business owners reported earning more than R5000 a month.
- A greater percentage of those earning more than R1000 a month or more were men. This reveals the relationship between being a woman and poverty.
- Access to relevant infrastructure was also identified as an issue, with inadequate business space topping the list.
- On average more than 76 percent of the operators have access to electricity, water and toilets. Only 9.1 percent use gas and paraffin. This shows the extent to which the city has progressed in providing basic services and ensuring access to support infrastructure.
- The majority have no access to bank loans, having been turned down. This shows that access to support services, particularly financial support, is still a challenge.
- 80 percent of the traders indicated that they had never received help through training or any other assistance programme.
- The respondents identified lack of funds/credit, expensive prices by suppliers and poor marketing as some of the critical problems they face.
- On priority interventions by local government, broad categories such as basic services (policing, water, sanitation, electricity, housing and transport); business infrastructure (business space and storage), and support services (particularly access to credit, business advice and training), were identified as crucial for the development of the informal traders.

(b) Policy

The approach of the city to informal traders has changed over time. According to Botha (in Reddy, 1995: 121), in the beginning the City of Durban also pursued a restrictive approach. It focused on enforcement of by-laws to control the size of the informal sector. This, however, changed after the 1984 Hawkers Report produced by the Town Planning Department. This report provided important recommendations which advised the city council to totally eliminate the sector, maintain the status quo (a restrictive approach), provide minimum assistance and declare trading areas, or provide maximum assistance and hawkker markets (Botha in Reddy, 1995: 121). As a result of the report, the then city council recognised the importance of the sector to the livelihood of the people, and adopted pro-active policies (Botha in Reddy, 1995: 121).

Although the city started with strict controls of the sector, it has however evolved progressively to a developmental management strategy for the sector. As Botha (in Reddy, 1995: 122) puts it, it started from an era of no development to minimal development (through provision of hot dog vending carts, demarcation of trading pitches, and toilets), towards the promotion of facilities. This view is also supported by various authors. According to Lund & Skinner (2003: 7), the city council changed its legal framework that governed street trading from criminal law to administrative law. The city stopped viewing street traders as a public nuisance, but saw them rather as economic actors. The city adopted a policy entitled “Durban’s Informal Economy Policy” in 2001. This policy acknowledges the important contribution of informal workers to the economy of Durban and the region (Durban’s Informal Economy Policy, 2001: 3).

Unlike most cities that have adopted policies for informal trading, EMM’s policy focuses on the entire informal economy. It was developed with the objective of making Durban a safe and secure city, where the urban environment is well managed. In terms of this approach, the informal traders are viewed within the broader informal economy, and therefore approached as just another sector within the informal economy. According to Mitullah (2004: 22), this approach has provided an enabling

environment for the municipality to programme and provide relevant support to the street traders.

The policy covers many aspects on how the city will manage the informal economy. This approach has been informed by the various challenges that the city has experienced when managing the informal economy, as listed below (Durban's Informal Economy Policy, 2001: 6-10):

- Perceptions where street traders are still associated with littering and high crime rate in parts of the city.
- Uncoordinated and fragmented support to the informal economy. This has led to inadequate and lack of proper planning for the informal trading markets.
- Strained and hostile relations between formal and informal businesses as well as their associations.
- An inefficient system of licensing and permits that discourages hawkers from registering and formalizing their businesses.
- Street traders who are not paying their rentals despite the fact that they agree in principle to pay.
- An ever-increasing number of mobile traders who do not possess permits.
- The lack of use of some sites for trading, due to inappropriate planning.

To address these challenges, the policy proposes several initiatives in the form of other supporting policies critical for the management of the informal economy. This is important as it will ensure that the municipality follows an integrated approach. The initiatives are listed below (Durban's Informal Economy Policy, 2001: 5-10):

- Resource allocation

This section of the policy outlines the resources that the city has set aside to support informal economy through the provision of satellite markets and other infrastructure like water and shelter. An important provision is that the city dedicates certain resources to support the sector.

- Allocations policy

The aim of the policy is to support growth of the existing informal businesses as well as to provide opportunities for the new entrants. At its core, the policy focuses on allocation of sites to the traders, in a way that encourages the inclusion of the previously disadvantaged people.

- Registration

Everyone trading in public places would register with the city as a small business. Once registered, the trader would then get the permission to trade, as well as access to various services and support offered by the city and other stakeholders. This does not only give the traders the right to operate, but also gives the traders certain responsibilities.

- Rentals Policy

The city recognizes street traders as small businesses which must then pay for the usage of trading sites like any other business that uses council's assets to conduct a business. This policy advocates for the traders to pay for the right to operate, whether at a fixed site or if operating as a mobile worker. According to the policy, the rental amounts are linked to various items such as size of the site, desirability of the location as well as the services provided at the site. Furthermore, street traders will have a basic site rental with differentiated rentals depending on levels of services received by the traders. They would further get a basic package of services like basic shelter, solid waste removal, ablution facilities, water and storage facilities.

(c) Institutional Mechanisms

EMM's current approach to the management of informal businesses started a while back, even before the advent of democracy. To manage street trading, a department was established as early as 1991. Of interest is the mission of the department, which acknowledges informal trading as an economic activity, with the potential to promote wealth and employment. The department adopted the following mission statement (Botha in Reddy, 1995: 121):

“By consensus to facilitate economic activity in public areas, in order to promote employment and wealth within the D.F.R whilst at the same time ensuring that (as with other land use activities), it is managed in a manner that does not prejudice the right of sectors of the community”.

This mission statement acknowledges the following important features:

- **Consensus:** This indicates the willingness of the municipality to engage the sector, and that it would use an inclusive, consultative process in all its activities. It further means that the municipality would ensure that whatever policies or programmes it develops would be relevant in addressing the needs of the informal economy.
- **Facilitating economic activity in public places:** This notion acknowledges the fact that informal trading is an economic activity, which mainly takes place in public areas, a factor which if not well managed, can create tensions between the street traders and community members.
- **Promotion of employment and wealth:** The informal sector contributes towards the economic development of communities. The sector is therefore one of the tools that can be used by municipalities to promote employment and wealth. This indicates that the department would then use the informal economy as one of the levers towards dealing with the scourge of poverty, unemployment and inequality.
- **Managing in a manner that does not prejudice the rights of others:** This statement acknowledges that the informal sector does not exist in isolation, but is part of the larger economic network. It takes into account the fact that if not properly managed, the sector can prejudice the rights of others, such as formal business owners or pedestrians, more so since it normally takes place in public spaces. The mission statement clearly indicates that as early as 1991, the city council acknowledged the informal economy as part of the larger economy. It further shows that the city recognised informal business operators as working people, economically active rather than as a public nuisance (Lund & Skinner, 2003: 7). According to Lund and Skinner (2003: 5), during a 1999 five- city

comparative study, EMM was the only city in SA that had established a separate department to oversee street trader management. As part of its support programme, it had allocated resources to provide street trading infrastructure. It is interesting to note that although it is almost eight years since Durban established the department, no other city in South Africa has followed this good practice.

The adoption of the informal economy policy in 2001 advanced further the progressive approach to the management of the sector. The city’s institutional arrangements have been designed to support the city’s vision and mission. The city’s Department of Economic Development is responsible for policy development and strategic planning for the informal economy. This ensures that matters regarding the informal economic activities are viewed and mainstreamed within the broader economic strategy of the municipality. The policy clearly identifies the role of various stakeholders to ensure proper management and support of street traders. The table below summarises the different role-players and responsibilities in the management of informal trading:

Table 6-1: Institutional arrangements for the management of the informal economy in EMM.

Stakeholder	Responsibility
Economic Development Department	Policy development and strategic planning
Informal Trade and Small Business Opportunities Branch (ITSBO)	<ul style="list-style-type: none"> • Management and support of the informal economy. • Upgrading of existing facilities and development of new facilities.
Safety and Security Services (Metro Police)	Law enforcement
Environmental Health	Provision of educational programmes in order to upgrade the skills and working environment of the registered and accredited street traders.
Informal Trade Management Board (ITMB)	The board was set up by the municipality to represent the interests of the street traders.

Informal Trade Division	Builds and manages markets.
-------------------------	-----------------------------

(Source: Table created by author from information sourced from Durban Informal Economy Policy, 2001).

The roles of various role-players are clearly defined. Furthermore, the city has facilitated the establishment of the ITMB to be able to engage the street traders. This is important considering that in most instances, street traders are not organized, which normally makes it difficult for authorities to engage them in affairs of the municipality that affect them directly or indirectly. Despite this initiative by the city, it is however sad that many traders are still unwilling to join organizations, while some organisations of street vendors are not members of the ITMB (Durban's Informal Economy Policy, 2001: 23). This means that the city would then have to establish ways of engaging them, which could delay reaching consensus because of many different discussions.

The policy, however, does not clearly indicate the role of the town planning department which is critical in ensuring that trading areas take into account and benefit from the spatial dynamics of the area.

6.6.2 City of Johannesburg Metropolitan Municipality

(a) Nature and character of street trading

The introduction of the Business Act of 1991 resulted in a significant change on how the management of informal trade was approached. This legislation gave provincial and local authorities the power to regulate trade. This resulted in several challenges for the City of Johannesburg Metropolitan Municipality (Joburg). From 1994 to 1999, there was an explosion of street traders from about 300 licensed traders to 10 000 in the CBD alone. This overtrading presented challenges in that the municipality's institutional systems were not aligned/ready to handle this change. There were no management tools, legislation or infrastructure to accommodate the traders (Thale, 2007).

Joburg has developed mechanisms to regulate the sector while cleaning up and regenerating the inner city. Hawkers, however, experience the measures as harassment (Thale, 2007). One of such initiatives by the city includes the establishment of the Metropolitan Trading Company (MTC). This entity was established to develop and operate markets and provide infrastructure for informal traders and taxi operators. This company has managed the development of various markets. The approach by the city has been to accommodate the street traders in well-equipped markets, with improved conditions for both traders and clients. In doing this, the city has tried to address the issue of availability of infrastructure, which is one of the challenges facing informal traders (Thale, 2007). Although hawkers have generally welcomed these initiatives, there are some challenges raised by users. Several traders have raised concerns like exorbitant rent, lack of sign boards directing customers to the markets, quality infrastructure, and so on. It has been argued by the Gauteng Hawkers Association that markets should not be seen as an alternative to street trading. It is maintained that the money used to build markets could have been better spent in developing street stalls (Thale, 2007).

The challenges experienced by the MTC include the following (Thale, 2007):

- **Overtrading:** There are many street traders as opposed to the market facilities available. It is estimated that there are around 10 000 traders in the inner city, while the market can only accommodate 10 percent of the total number of about 1000 traders. This poses a challenge to the company, in terms of accommodating the other 9000 traders.
- **Law enforcement:** By-law enforcement is a function of the Johannesburg Metro Police Department (JMPD) and there are officers dedicated to this function. While JMPD sees law as a way of bringing order in the sector, hawker organisations accuse the JMPD of subjecting them to illegal raids and using force to arrest them and impound their goods. The other challenge relates to hawkers who violate certain by-laws or legislation like the Health Act, which prohibits the cooking of food out in the open.

- **Market/Infrastructure:** Joburg has embarked on a programme of providing the hawkers with infrastructure to ensure that they have access to an environment that support their operation. Although the markets have been well received, some hawkers are not totally happy.
- **Communication:** Another challenge is the establishment of regular communication channels between the city and the hawkers. However, the existence of a multitude of organisations claiming to represent the sector, poses a further complication.

The city conducted a study in the Randburg CBD in 2002 in order to develop strategies for managing informal trading. The study found the following (Randburg CBD Informal Trade Study, 2002: 5-12):

- Poor management of informal trading contributed to the decline of the Randburg CBD.
- Various stakeholders within the CBD were willing to contribute their resources towards revitalisation of the CBD and the management of informal trading.
- There were perceptions that informal traders brought in grime, crime and several undesirable elements, which were discouraging shoppers from coming to the CBD.
- Some stakeholders believed that informal trading cannot coexist with formal businesses. As a result, they felt that informal traders should be located away from the formal malls.
- Suppliers benefit from informal trading as the informal traders purchase their raw materials from them.
- Although at a low level, informal traders created jobs for themselves and other unemployed people.
- 80 percent of the informal traders in the CBD were women.

Although the study was confined to the Randburg CBD only, the findings are however applicable to most cities and urban areas where informal trading is prevalent. Any policy to manage informal businesses should take such facts and perceptions into consideration in order to come up with a relevant policy.

(b) Policy

Like other municipalities, Joburg developed a policy entitled *Informal Trading policy for the City of Johannesburg* during 2006. The policy covers vendor trading in public places and acknowledges that informal trading contributes to job creation and poverty alleviation and also could expand the city's economic base. According to the policy, the municipality aims to facilitate the migration of informal traders into the formal sector (Informal Trading policy for the City of Johannesburg, 2006: 3-4 and Randburg CBD Informal Trade Study, 2002: 2). The city's vision for informal trading supports this assertion. According to the policy (Informal Trading policy for the City of Johannesburg, 2006: 4), the vision is:

“...to create a well-managed informal trading sector which talks to the needs of its stakeholders and is effectively integrated into the economic, spatial and social development goals of the city”

In terms of this vision, the municipality intends to create an environment where informal trading is well-managed and mainstreamed into the broader development goals of the city. According to the policy, informal traders in the municipality face several challenges such as limited infrastructure (and storage), health and safety obligations as well as law enforcement difficulties. The aim of the municipality is to create an environment within which informal traders can become commercially viable. This would be attained through adoption of policies, strategies and by-laws that are progressive, with integrated spatial planning, appropriate infrastructure and support services (Informal Trading policy for the City of Johannesburg, 2006: 6).

The policy covers broad principles that would enable the municipality to effectively manage and support the informal trading sector. According to the policy, various departments and Municipal Owned Entities (MOEs) should prioritise the development of the least developed markets when providing infrastructure that would benefit informal trading (Informal Trading policy for the City of Johannesburg, 2006: 11). This provision is aimed at ensuring that previously neglected markets are also upgraded to reach an acceptable standard.

The issue of equity in the provision of infrastructure for informal traders throughout the municipality is further stressed (Informal Trading policy for the City of Johannesburg, 2006: 11). This implies that in developing or renovating informal trading markets, the departments should not be biased towards the CBD only, but should also consider the previously disadvantaged areas. This is an important principle in that it could also serve as a deterrent to the traders preferring only the CBD due to the availability of better markets, and thereby resulting in overcrowding in certain areas. It could also result in a better spread of informal traders in the entire municipal area, making management far more effective.

According to the policy, planning requirements for accommodation of informal traders should apply to private developments as well, particularly when such developments displace the present market, or have potential to attract the interest of informal traders in the long-run (Informal Trading policy for the City of Johannesburg, 2006: 10.) A good example of such a displacement is the eThekweni's Warwick Junction development discussed earlier. This is an important principle since the focus is often only on public facilities, when most of the developments are privately facilitated. The inclusion of this principle is critical in ensuring that informal traders are not displaced when private developments take place.

The policy further provides guidelines for various administrative activities relating to the management of the informal traders, such as the issuing of smart cards, procedures for the allocation of trading space as well as rental payable for trading spaces and periodic markets (Informal Trading policy for the City of Johannesburg, 2006: 11-16).

It is inevitable that some disputes will arise between the municipality and the traders in the implementation of the policy. To address this challenge, the policy provides an appeal process with regard to disputes relating to the allocation of trading space or rental payable (Informal Trading policy for the City of Johannesburg, 2006: 17).

One of the challenges affecting informal traders all over the world is that they are not well organized and therefore unable to participate in the affairs on government when matters affecting them are being entertained. The policy proposes the establishment of

an Informal Trading Chamber (ITC) as a forum for consultation (Informal Trading policy for the City of Johannesburg, 2006: 20). Constituted by representatives from various traders' organisations, the chamber will serve as a link between informal traders and the municipality. Another crucial step being proposed is the participation of ITC in the Johannesburg Business Forum (Informal Trading policy for the City of Johannesburg, 2006: 20). This can assist in closing the gap between the formal and informal businesses and thereby improving the relations between the two sectors.

(c) Institutional Mechanisms

The policy acknowledges the fact that various departments within the municipality have a role to play in the management of informal trading as well as infrastructure development. To this effect, the policy identifies the following role players and clearly identifies their roles in the management of informal traders:

Table 6-2: Institutional arrangements for the management of informal trading in Joburg.

Stakeholder	Responsibility
Department of Economic Development	<ul style="list-style-type: none"> • Categorisation of different types of markets and priorities for infrastructure development. • Coordination of the demarcation of informal trading sites. Such demarcation should take into account various factors, including economic nodes, public transport facilities and pedestrian traffic. • In conjunction with the MTC, development of training and mentorship programmes for the informal traders.

Stakeholder	Responsibility
Metropolitan Trading Company (MTC)	<ul style="list-style-type: none"> • Registration of traders including issuing valid smart cards. • Leasing out of Council-owned properties to the traders. • Allocation of trading space to licensed traders and collection of rental. • Development of criteria for determination of rates payable. • Administration of incubation programmes for the traders.
Johannesburg Metro Police Department (JMPD)	Law enforcement. Ensures compliance to the policy and street trading by-laws.
Development Planning Department	Development of instruments to ensure that spatial planning and developments in the municipality consider the needs of the informal trading sector.
Informal Trading Chamber	Link between the local authority and the traders, and between traders and the formal business.

(Source: Table created by author, with information sourced from Informal Trading Policy for the City of Johannesburg, 2006).

A notable gap in the policy is that it does not indicate the quantitative aspect of trading within the municipal area. The policy is further silent on the role of the Environmental Health Department. This is a crucial department considering that most traders trade in food. It is therefore critical that they not only comply with applicable legislation, but are also educated on various issues like handling food or any topic relating to environmental health.

6.6.3 City of Cape Town Metropolitan Municipality

Like other municipalities, the City of Cape Town has developed and approved a policy and a management framework in order to effectively manage the ever-increasing informal trading. This policy document acknowledges the role of informal trading in the creation of jobs and expansion of the city's economic base (Informal Trading Policy and Management Framework, City of Cape Town, 2003: 4). The discussion below looks at the state of street vending in the municipality, the policy content as well as the institutional arrangements for the implementation of the policy.

(a) Nature and character of street trading

A survey of informal traders in the city, which was conducted as part of the policy development process during 2002, revealed the following with regard to the nature of informal trading in the municipality (Informal Trading Policy and Management Framework, City of Cape Town, 2003):

- 42 percent of traders participated in the sector as a result of not having or losing a job.
- More than 50 percent of the traders were female.
- The informal sector accounted for 18 to 20 percent of the city's economy.
- Informal trading policy regulates only/applies to trading activities taking place on public properties.

(b) Policy

The city has developed a policy for managing informal trading. The objective of the policy is to assist traders to move from being survivalist to more robust business enterprises. To this end, the city has put forward a developmental continuum which aims to take street traders from survivalist (kerbside trading) to informal trading (markets) to formal business status. This approach guides the city's approach to

informal trading management (Informal Trading Policy and Management Framework, City of Cape Town, 2003: 9-10).

Furthermore, the policy aims to introduce one system of managing informal trading to ensure uniformity and consistency. The management of the sector used to be in different departments like Traffic, Legal Services, Business Areas Management and Economic Development (Informal Trading Policy and Management Framework, City of Cape Town, 2003: 28). The location of the management function in the Economic Development Department signals thinking around economic development, where informal trading is seen as a part of the economy (Mitullah, 2004: 17).

The city's vision and mission for informal trading is as follows (Informal Trading Policy and Management Framework, City of Cape Town, 2003: 6):

Vision: “A well-managed informal trading sector that is fully integrated into the economic, spatial and social development objectives of the city”.

Mission: “Through a developmental approach, the city seeks to facilitate the access to job and entrepreneurial opportunities within the informal trading sector and the nurturing of a positive relationship with the formal business sector by providing a stable regulatory and management environment that is predictable, empowering and sustainable”.

Given this vision, the city's approach to informal trading is anchored on three key principles, namely economic, social and spatial development (Informal Trading Policy and Management Framework, City of Cape Town, 2003: 7-8):

Economic Principles: The city aims to promote the sector to contribute to the economic growth of the city by amongst other things, linking informal trading to commercial zones, providing infrastructural support and business support services.

Social principles entail the promotion of equality by using development of the informal trading infrastructure as an opportunity to improve the general environmental condition of the historically disadvantaged areas of the City.

Spatial Principles: The policy acknowledges that informal trading contributes to the value of public spaces. To enhance this, the city aims to allocate informal trading areas in accordance with its spatial plans, both metropolitan and local.

The policy goes further to identify key levers in the management of informal traders. The levers are planning (for new markets and trading opportunities), registration of informal traders, allocation policy (allocating trading space) and rental policy, which will identify different values based on infrastructure, location, site sizes and level of services provided. One can say that this policy provides a holistic approach to managing the sector in a way that ensures sustainability (Informal Trading Policy and Management Framework, City of Cape Town, 2003: 8)

Interesting to note is the acknowledgement of the fact that in order to support informal trading, an integrated service delivery approach is required, which entails the provision of basic economic infrastructure, municipal services like cleansing, security, electricity, water and generic business services.

The policy identifies trading areas, and allows informal trading in various areas such as CBD/Tertiary Economic Centres, secondary economic centres, primary economic centres, housing estates and townships. It further provides procedure on how various operational issues like criteria for allocation of trading bays and permits would be handled (Informal Trading Policy and Management Framework, City of Cape Town, 2003: 17-22).

Another critical element indicated in the policy is the fact that the primary focus would be business development rather than enforcement. There would be training of City Police who are the law enforcers in order to deal with mind shifts (Informal Trading Policy and Management Framework, City of Cape Town, 2003: 13). This is critical as it will ensure that the internal systems and processes are integrated and aligned to pursue a common objective.

(c) Institutional Arrangements

The city’s policy clearly defines the roles of both internal and external stakeholders in the implementation of the policy. The roles are further distinguished in respect of management and operational levels. If well implemented, this would ensure a seamless approach. The table below provides a summary of the various stakeholders and their responsibilities in managing informal trading (Informal Trading Policy and Management Framework, City of Cape Town, 2003: 14-15):

Table 6-3: Institutional arrangements for the management of informal trading in the City of Cape Town.

Stakeholder	Responsibility
Economic Development and Planning	<ul style="list-style-type: none"> • Policy and by-law development. • High level planning (spatial, land-use planning and economic development). • Infrastructure development and delivery. • Coordination of support services. • Development training. • Permit Allocation.
Property	Management of leases.
Community Services (City Police)	<ul style="list-style-type: none"> • Informal trading by-law enforcement. • Security.
Management Agent, Intersite	Aesthetics.

Stakeholder	Responsibility
Utilities Services & Cleansing (Solid waste)	Cleansing.
Trader's Association	Management of certain informal trading sites.
Area Informal Trading Committees	Approval of permits.

(Source: Table created by author, with information sourced from City of Cape Town's Informal Trading Policy and Management Framework).

The policy proposes the establishment of a Trader's Association to manage development projects in certain areas. The model is based on equitable contribution by the city and the traders. In this model, the trading environment would be funded and supported through the following (Informal Trading Policy and Management Framework, City of Cape Town, 2003: 16-17):

- i. Trading Fees (paid by traders in order to trade).
- ii. City contribution per trader per month.
- iii. Training and development contribution by the city.

The proposed model is very significant because it ensures that the money contributed by traders is used for their own development. One can argue that this would give the traders a sense of ownership and independence which is critical for the growth of the sector.

The policy further proposed the establishment of an Area Informal Trading committee which will be responsible for approving permits. This committee will consist of officials from various sections to ensure transparency, as opposed to the arrangement where only one official was responsible for the process (Informal Trading Policy and Management Framework, City of Cape Town, 2003: 22).

According to the policy, there would be different management models for different trading areas. For example, in the case of formal market sites, management will be outsourced and the city will enter into a Service Level Agreement with the private party. With regard to trading on transport interchanges, the Interchange Management Authority and the City Police would approve such trading (Informal Trading Policy and Management Framework, City of Cape Town, 2003: 24- 27).

With respect to other models such as individual fixed trading sites, mobile/roving trading and intersection trading, the policy is not clear on how these sites will be managed. Allocation of permits, however, would remain the responsibility of the city irrespective of the management model adopted.

6.6.4 City of Tshwane Metropolitan Municipality

Like other municipalities, the City of Tshwane (CoT) is moving from a culture of prosecuting informal street traders to a culture of accommodation, as will be indicated in the following sections.

(a) Nature and character of street trading

A study of informal trading in Tshwane uncovered many interesting issues regarding the informal trading sector in Tshwane. The main purpose of the study was to advise on policy issues as a way of developing a policy for managing enterprises trading in public spaces. The findings of the study highlighted the following with regard to the nature and characteristics of informal trading in CoT (Informal Trading in Tshwane: Regulatory, Spatial and Economic Framework, Second draft report, 2004):

- The highest number of informal traders are found in public transport nodes like Mabopane Station (23%), Denneboom Station (17,3%) , Marabastad (18,2%), Bloed/Van der Walt Street taxi rank (11.4%) and Babelegi business area and Station (0,3%).
- Less popular trades included traditional healers (1.0%) and arts and crafts (0.7%). This is different from Durban where the majority of the traders trade in traditional medicine and crafts (Durban's Informal Economy Policy, 2001).

It indicates that predominant sectors would differ from one area to the other, depending on the economic structure of each locality. This implies that when developing a policy for managing informal traders, each municipality must ensure that the policy is relevant and talks to its environment.

- In terms of access to services, 85 percent of the recipients indicated that they had access to toilets, 70 percent had access to tap water, 43 percent had access to drainage, 7 percent had access to electricity, and 60 percent had access to waste disposal.
- The majority operate their businesses from rudimentary accommodation with limited infrastructure. Respondents highlighted the need for proper shelter, containers, tables, storeroom/storage facility and electricity.
- The majority indicated willingness to pay rates to the municipality. Of the traders interviewed, at least 53 percent indicated that they were prepared to pay between R1-R50 per month. This figure indicates the affordability levels of the participants, as well as the low income levels in the sector. Hence the amount that can be paid for rental purposes is extremely low.
- Average income of the traders was R1115 per month, which is less than the minimum living level (MLL) of R2050 in 2004. Only 30 percent of the respondents indicated a profit of R2001-R5000 per month.
- Average employment size is only 1,6 persons per business and the majority of owners are in business full-time.

In February 2006, the COT developed an informal trading draft strategy. The strategy indicates the following with regard to the nature of constraints faced by the informal traders in the CoT (Informal Trading Draft Strategy Document, City of Tshwane, 2006: 5-10):

- 73 percent of informal traders trade in fruit and vegetables, clothing and sewing, cold drinks, toiletries, telephone (low value products).
- 25 percent of traders have been in business for less than 1 year (the sector is a stop gap measure).

- Monthly average turnover was about R4500 per month, with net profit at about R1200. This is below the MLL of R2050.
- 60 percent of the traders had one employee (the owner), while only 2 percent employed 5 people or more. This questions the job-creating capacity of the informal trading sector.
- 86 percent operated from temporary and mobile structures.
- Most traders had poor access to capital.
- Lack of capacity, particularly in the areas of entrepreneurship, and lack of access to training, was evident.
- Lack of access to basic business and regulatory information was evident.
- Poor organisation which limits capacity to bargain with supplies and regulators, made it difficult to encourage self-regulation of informal traders, facilitate partnerships among various stakeholders and develop strategies and programmes responsive to the needs of informal traders.

To address some of the challenges, the strategy proposes that the municipality should offer demand-led business development services, as well as create a regulatory environment that is transparent and supportive to informal trading and Small and Medium Enterprises (SMEs) in general (Informal Trading Draft Strategy Document, City of Tshwane, 2006: 7).

(b) Policy

The CoT has developed a policy entitled *Informal Trading Policy and Management Framework*. This policy attempts a balance between creating a thriving informal trade sector and promoting a safe and clean city. Like the City of Cape Town and Joburg City, the CoT sees informal trading as contributing to job creation, with potential to increase the city's economic base (City of Tshwane Informal Trading Draft Strategy Document, 2006: 11). This would in turn contribute towards the creation of a globally competitive world class African City as per the city's vision.

The policy indicates its objective, which is to provide an integrated and holistic approach to the management of informal trading (Informal Trading Policy and Management Framework, City of Tshwane, undated). Generally, the policy's aim and objectives are synonymous with the policy provisions of the City of Cape Town. Unlike the City of Cape Town policy, however, CoT identifies three levers for change: planning, the allocations policy and the rental policy (Informal Trading Policy and Management Framework, City of Tshwane, undated).

To implement the policy, the city has further developed an informal trading strategy, which identifies some critical shortfalls in the policy. Given the similarity between the CoT's informal trading policy and the City of Cape Town's policy, it is not very clear if the CoT policy addresses the unique situation of the city's informal trading environment. One of the challenges identified by the strategy is that the policy does not address stakeholder participation (City of Tshwane Informal Trading Draft Strategy Document, 2006: 8). This in turn will create challenges for addressing issues like self-regulation of informal traders and partnership building with the various stakeholders. Taking this into account, the draft strategy aims to facilitate the constitution of formal organisations of traders and establishment of formal procedures for the management of relations between traders & COT (City of Tshwane Informal Trading Draft Strategy Document, 2006: 11).

One lesson from this scenario is that in developing a policy, each municipality must look at its own environment and not simply "cut and paste" policies from other municipalities, as it might end up with a policy that is not relevant to the local environment. Such a policy might not address the objectives intended when developing policy.

Generally, the strategy attempts to provide in more concrete terms what economic, spatial and social initiatives the city should embark on to support and manage informal trading.

The challenge, however, is that since the strategy is based on a policy that has some gaps, it will be limited to the issues raised by the policy and some of the gaps might remain unattended.

(c) Institutional Mechanisms

Informal trading affects and is affected by the activities of various role-players. To deal with this challenge, the policy identifies different role players and responsibilities.

The most notable difference between the policy of City of Cape Town and CoT, is that the City of Cape Town separated roles and responsibilities in terms of both management and operational functions. The management functions in Cape Town include policy development, by-laws, management of leases, enforcement and development training. Operational Functions include day-to-day activities like security, cleansing, facilities (storage and ablutions), permit allocations and collection of rentals (Informal Trading Policy and Management Framework, City of Cape Town, 2003: 14-15). CoT, in contrast, has identified various functions (both management & operational) and linked the functions to the responsible departments. The similarity is that policy and by-law development in both cities is the responsibility of the economic development unit (Informal Trading Policy and Management Framework, City of Cape Town, 2003: 14- 15 and Informal Trading Policy and Management Framework, City of Tshwane, undated). This emphasises the central role of informal trading in economic development.

Furthermore, in the case of CoT, development training is an inter-departmental function (between LED & Environmental Health), which is very important. The table below provides a summary of the institutional arrangements for the management of informal trading (Informal Trading Policy and Management Framework, City of Tshwane, undated).

Table 6-4: Institutional arrangements for the management of informal trading in CoT.

Stakeholder(s)	Responsibility
Local Economic Development (LED)	<ul style="list-style-type: none"> • Policy and by-law development. • Issuing of licences and leases.
City Planning and LED	<ul style="list-style-type: none"> • Identification of key trading areas (in partnership with other key departments like City Planning and environmental management, transport planning, Environmental Health and Roads and Stormwater). • Design and Construction of stalls.
Corporate Services	<ul style="list-style-type: none"> • Maintenance of stalls with LED providing the financial resources.
Environmental Management	<ul style="list-style-type: none"> • Cleansing. • Monitoring and inspections (hygiene and food items).
Tshwane Metro Police	<ul style="list-style-type: none"> • Security.
LED and Environmental Health	<ul style="list-style-type: none"> • Education, training and developmental support.

(Source: Table developed by author, with information sourced from Informal Trading Policy and Management Framework, City of Tshwane, undated).

Considering the institutional arrangements, it is clear that the policy is silent on the role of external stakeholders like the informal traders themselves, their organisations or the formal business. Partnerships are important if management of informal trading is to succeed. It is indicated that informal trading in Sunnyside, Pretoria, was

successful due to the formation of City Improvement Districts (CIDs). The CID encouraged partnership between the Council, formal businesses and the informal business owners. In this CID for example, the formal business is directly involved in the development and management of informal trading (Randburg CBD Informal Trade Study, 2002: 14-15). It is therefore crucial that the policy should indicate how the city will engage external stakeholders in the management process.

Furthermore, the policy provides for the outsourcing of the management of some markets. One would then expect that the policy would be clear on the role of the external service providers as envisaged in Section 7.3 of the policy (Informal Trading Policy and Management Framework, City of Tshwane).

It is, however, interesting to note how the city has indicated the cross-functional nature of the informal trading management process. This is indicated in areas where various divisions of the city are engaged in playing a certain role in the management process, for example, in the identification of trading areas where LED, City Planning, Roads and Stormwater, Public Transport and Environmental Management would work together. This would ensure a more integrated approach.

Another observation is with regard to by-law which is a function of LED. The policy is not clear whether LED would be responsible for both development and enforcement of the by-law, or whether LED would just develop the policy while the Metro Police would enforce it, as is the case with other municipalities (City of Johannesburg and the City of Cape Town). This lack of clarity might result in confusion and inability to enforce the relevant by-law.

The policy stresses the importance of registering and maintaining a database of traders for proper management and support. This would help to deal with a challenge identified by Mitullah (2003: 3), that most local authorities do not maintain a database of street vendors. Like the City of Cape Town's policy, CoT proposes the establishment of Area Informal Trading Management Committees to deal with area-specific informal trading issues (Informal Trading Policy and Management Framework, City of Tshwane and Informal Trading Policy and Management Framework, City of Cape Town, 2003: 22- 28).

6.7 LESSONS FROM THE CASE STUDIES

The following trends and lessons can be deduced from the cases studies:

- (a) Street vending is prevalent in most urban areas. People migrate to urban areas in search of better economic opportunities. The street vending policy must take this into consideration. In a municipality with more rural areas (that are normally characterised by poverty), the influx of people to the urban areas should be anticipated and planned for.
- (b) In most instances, people join street vending due to the bad economic environment. In Asian countries, informal trading increased after the economic crisis, which led to most people losing their formal jobs. This means that in developing a policy for managing street vendors, consideration should be given to the effect of the economic policies and climate on the informal sector. This factor supports the notion that the informal economy is an integral part of the economic system, and is affected by any economic decision made. It further stresses the fact that both the informal and formal economies are closely linked. This linkage means that local economic development strategies must take this relationship into consideration (Swinburn, Goga and Murphy, 2006: 3). Furthermore, policies should be reviewed regularly considering changes in the economic environment.
- (c) Street vendors suffer harassment from authorities and police and as such have to pay bribes in order trade. Street vending policies should provide security to the street vendors.
- (d) The majority of the street vendors trade in food, and are women. This implies that the need for proper infrastructure and environmental health training is critical in order to address health issues. Furthermore, since the majority are women, the policy should be gender sensitive, for example, by making provision for other support systems like child care facilities.

- (e) Street vendors offer cheap prices, and therefore help the urban poor/lower income groups. These affordable prices, at a convenient time and place, ensure that communities benefit from street vending.
- (f) Where proper institutional mechanisms are in place, management of the street vendors is more effective. For example, Malaysia adopted a national policy for governing street vendors, and established a department for managing the street vendors. Not only does this department regulate street trading, it also supports the sector through training and credit support. Most South African cities have also followed this approach by locating informal trading management in relevant departments and clearly indicating the roles of various stakeholders. This balanced approach enables the city to effectively manage the sector.
- (g) The majority of the street vendors are not organised. This implies that they have weak bargaining power. Policies should therefore enable and encourage the street vendors to be organised. Where an association for vendors exists, the policy should enable and encourage meaningful participation of the organised sector in the affairs of the municipality.
- (h) South African municipalities have moved towards acknowledging the role of informal trading in economic development and poverty alleviation. As a result, most municipalities have developed policies and by-laws to manage informal trading.
- (i) Unlike in the past, informal trading is no longer seen within the lens of regulation and enforcement. Instead, it is viewed as an economic activity. Of all the South African studies analysed, the management of informal traders is the responsibility of economic development departments.
- (j) Incomes from informal trading are generally below the MLL. As a result, informal traders might be unable to pay rental if it is high or market-related, especially where formal market stalls are used. The result in this case would be the hawkers defaulting and clashing with municipalities. A typical example

is the Johannesburg case, where the municipality had to reduce the rental from R900 per month to R400 per month. The hawkers could still not afford rentals, despite this reduction, resulting in the MTC locking out the traders (Thale, 2003). Informal traders in the CoT indicated willingness to pay approximately R60 per month (Informal Trading in Tshwane: Regulatory, Spatial and Economic Framework, Second Draft Report, 2006: 35). Although the amount looks ridiculously low, it is an indication of the financial situation of informal traders, where incomes are very low.

- (k) Municipalities acknowledge that to properly manage the informal trading sector, various departments have a role to play. To this effect, policies (as per the case of South African municipalities) attempt to clarify the roles of various divisions. It is interesting to note that the role of external stakeholders is properly outlined in most policies, except for the CoT.
- (l) The policy for managing informal trading should address several key issues that affect how the municipality will manage street trading, such as allocation criteria, rental policy as well as permits and licensing.
- (m) There are perceptions that informal traders contribute to crime, grime and noise as well as the decline of CBDs. Municipalities should have a way of dealing with these perceptions.
- (n) Where clear legal frameworks exist for governing street vendors, interventions are normally successful. The availability of these legal instruments, should however, be underpinned by the ability to implement such policies or enforce regulations.
- (o) Predominant sectors in the informal economy depend to a large extent on the economic structure of each city. For example in Durban, one of the predominant sectors is arts and craft due to the tourist market. In the garment district of Gamarra, the highest percentage of traders is in textile. Electronics is predominant in Sao Paulo, while in Chile, the predominant sector is fruit and vegetables due to the agricultural economy. This means that the policy

must take into account the structure of the local economy as it influences the informal economy, and ultimately the type of infrastructure and support required.

- (p) Cities designate trading and non-trading zones (restricted zones) as a way of managing the street traders. This implies that like in any business, trading has to happen within a controlled environment. Each local authority should then have a framework or guidelines for determining trading and non-trading zones.
- (q) Each local authority should adopt innovative ways of managing trading. In order to deal with issues of lighting and security in Santiago, trading hours are from 08h00 to 15h00. During this time there is no need (or limited need) for lighting and crime is also low. The innovation by Santiago has been surrounds the issue of limited trading licenses in order to deal with the challenges of noise, congestion and solid waste management in public spaces (Roever, 2006: 39). This means that any strategies that are adopted should take into account the local condition.
- (r) Except for the Joburg policy, most policies provide substantive quantitative data on the extent of informal trading in their localities. Furthermore, most policies indicate the need to maintain a database of informal traders. These data are important as they ensure that strategies and programmes will be demand-responsive as opposed to supply-driven.
- (s) Trader organisations are important for not only serving as a link between the street vendors and the local authorities, but also, if properly formulated, as a strategic role-player in improving internal governance and promoting order. In Chile, for example, the organisations sanction new applications before the city can approve them (Roever, 2006: 40).

6.8 POLICY IMPLICATIONS FOR THE SECTOR

Like other informal activities, street vending is linked to the formal economy. The street vendors buy their products from big industries, thereby providing markets for the industries. In essence, the street vendors help the industries to reach markets that they would not otherwise reach.

Despite the fact that street vending is a livelihood for the urban poor and jobless, street vendors still receive harsh treatment from authorities (municipalities and police). According to Mitullah (2003: 3), this is because some authorities consider hawking to be an illegal activity that undermines the healthy functioning of the formal economy, and as such hawkers are treated as criminals.

The studies undertaken in various countries in Africa, Latin America and Asia have highlighted some municipal actions and functions that have serious implications for the development of policy to manage street vendors. This section focuses on some of the issues that have been identified as having an influence on the functioning of street vending. The policy implications of such activities are also highlighted.

6.8.1 Urban policies and town planning

Public spaces like the bus and rail terminus usually develop as natural markets for the hawkers. Durban's Warwick Junction and Tshwane's various transport nodes are good examples. This implies that when developing plans, this factor should be anticipated and built in. People using public transport normally find it convenient to purchase their requirements from the street vendors, who provide an essential service to the people.

Bhowmik (2001) maintains that removing street vendors would not only affect the vendors badly, but also the customers who must then travel long distances (and even pay more) to get the same services. Progressive urban development plans should make provision for the growth of such natural markets.

Of the six cities studied in India, only two, Imphal and Bhubaneswar, provided trading space for street vendors. For example, the Bhubaneswar Development Agency reserved 3 percent of public space as commercial zones for street vendors (Bhowmik, 2001).

6.8.2 Women dominate street vending

One of the reasons for the dominance of women in street vending is the flexibility of the sector, which allows women to combine street vending with other household duties. In some instances, women participate in order to supplement/augment their husband's income.

Policies to manage street vending should be gender sensitive. Provision of facilities like child care should be included as part of the support programmes.

6.8.3 Trading sites and structures for displaying goods

Most street vendors operate at localities with heavy human traffic. This includes places near and alongside main roads, shopping centres, major public transport facilities or at corners, where they can be seen by pedestrians and motorists (Mitullah, 2003: 7). However, most authorities are reluctant to provide sites to the vendors. Authorities view trading sites as temporary because they view street vending as temporary. This could explain the reason for not providing sites and proper facilities.

Street vending cannot be limited to a particular locality, but instead is shaped by various factors like pedestrian movement. Street trading is permanent and therefore needs long-term policies and plans on how it will be managed. Urban plans should take into account the choice of locations and anticipate this when planning. Furthermore, when developing layout plans, municipalities allocate spaces for use by the public. This includes space for parks, gardens, educational institutions and so on. It is important to always check how these places can affect street vendors or attract street vendors.

6.8.4 Commodities

Street vendors trade in various products and services. These range from food stuff, kitchenware and traditional herbs to newspapers. Street vending activities are normally viewed as a nuisance, and not in terms of its economic contribution to localities. The study of African countries found out that most countries did not have record or knowledge of the volume of the goods and sales (Mitullah, 2003: 8). As a result, even the sector's contribution to economic growth is never recorded and quantified. This is actually a lost opportunity to increase growth.

To effectively manage the sector, authorities must know the numbers and volumes of the goods. The economic contribution of this sector must be taken into account. It is important that the goods and services sold determine the locations that will be chosen, and ultimately the infrastructure that will be required, as this will also be linked to the locality's economic structure.

6.8.5 Volume of sales and earnings

The profit margins are normally minimal, as in other informal activities (Mitullah, 2003: 8). This is, however, dependent on the size of the business, commodities of trade and business location.

Municipalities should consider where they locate trading sites in order to increase profits. In determining the various fees payable by street vendors (like tariffs, infrastructure, services and license fees), the municipality should take into account that informal traders' profit margins are normally low. Whatever amount is charged should therefore not kill the businesses.

6.8.6 Access to markets and market relations

The market for street vendors is largely the pedestrians. Overall, the street vendors are prohibited from accessing better markets due to high transport costs and low profits. Other factors that affect their market are (Mitullah, 2003: 8-9):

- a. Poor location of business sites.
- b. Low purchasing power among customers.
- c. Poor payment by customers who buy goods on credit.
- d. Low access to information technology that could assist to increase production.
- e. Low levels of professionalism as a result of low education levels.
- f. Use of abusive language by some street vendors.
- g. High levels of insecurity.

In demarcating sites, the sites should be convenient for the customers (who are mainly the urban poor). Support programmes provided by authorities should include capacity building and customer relations for them to understand that customer is king.

Training in business skills and exposure to technology will make street vendors more efficient and productive, and is critical for the development of the sector.

6.8.7 Business Development Services

To succeed, street vendors need support in the form of financial and non-financial services. Where financial services are rendered, it was found that the micro lenders charged high interest and also had restrictive requirements which made it difficult for the vendors to access. It was also found that the finance provided is not enough for expansion (Mitullah, 2003: 8-9).

Authorities should have development programmes for the street vendors and also offer non-financial support to the street vendors. This can be in the form of infrastructure, storage facilities, business development services, water and electricity.

Municipalities should establish partnerships with other institutions of government and the private sector to lobby for support and also to coordinate assistance. This could include linking the street vendors with financial institutions.

6.8.8 Policies and Regulations (municipal laws)

Policies set standards for the provision of goods and services. By-laws set controls and enforce policies. By-laws further assist to ensure that areas are safe and clean. Most authorities impose restrictions on the use of urban spaces or public spaces for street vending. This restricts the activities of the hawkers. Studies conducted in various cities of India found that provisions for issuing licenses to street traders were so cumbersome such that it made it difficult for vendors to apply. This fact has also been indicated in EMM's informal economy policy.

Studies conducted in some African countries found that most countries in Africa use out-dated restrictive policies, by-laws and regulations that are not necessarily pro-growth of the sector. This is because such by-laws and policies were developed to control and regulate the growth of indigenous enterprises. According to Mitullah (2003: 10), authorities view vending as an illegal activity, responsible for making cities dirty. Street vendors are also seen as obstructing traffic. This is the reason why, in most cities, no provision was made for street vendors to trade in the CBD.

It is important that the policy for managing street vendors should address the location of the street vending function in municipality, through institutional arrangements. Street vending is an economic activity, and should therefore be managed as such. In addition, the role of other departments in managing and supporting the sector should be addressed. This would assist in ensuring that the function is effectively coordinated.

Policy Reviews: It is critical that authorities conduct regular reviews/updates of policy and by-laws to consider various factors like the economic policies, demography and any other changes. The policy should therefore provide for these reviews.

6.8.9 Registration and Licensing

A study of African countries revealed a lack of clear and consistent policies regarding the registration of street vendors. To operate within such an environment, the traders have to pay bribes. Street vendors are subject to various taxes, normally not well co-ordinated. In some cities, the process of obtaining a license to trade was cumbersome, resulting in payment of bribes to obtain the license (Mitullah, 2003: 11-12).

The policy for managing street vendors should be clear on registration, criteria and licensing requirements. It should further encourage co-ordination among other role-playing departments, even those outside the local authority's jurisdiction.

6.8.10 Associations of traders

Generally, street vendors are poorly organised. As a result, they have limited participation in planning and urban development. Where organised, the association do not have any bargaining power. It is unable to advocate for the rights of the street vendors to trade (Mitullah, 2003: 12).

Local authorities must encourage and assist vendors to become organised. The traders' organisations should then be used as a mechanism for consulting with vendors when matters affecting them are dealt with, such as the identification of sites. The policy should clearly stipulate consultation mechanisms in order to ensure meaningful participation of associations.

Municipality should provide capacity-building to the street vendor association for it to be developmental in nature. An example of such an association is the Pretoria Informal Developmental Association that was set up with the assistance of urban authorities and is playing a critical role in the development of the traders (Mitullah, 2003: 13).

6.8.11 Infrastructure and Service Provision

The majority of street vendors trade in places that lack infrastructure and services like electricity refuse collection and water. Authorities normally use the lack of registration of traders as a reason for not providing them with services.

Another challenge facing the traders is transporting their goods to and from sites due to lack of storage facilities. In some cities like Durban, that have provided storage facilities, the facilities are expensive and traders cannot afford them (Mitullah, 2003: 15).

As part of support to the sector, the municipality should provide infrastructure and services, as well as adequate storage facilities.

6.9 CONCLUSION

Street vending is the most visible of all the informal sector activities and continues to increase significantly, particularly in the urban areas. It is a source of employment and income for the urban poor. Most people join the sector in order to escape unemployment and poverty. These people are normally characterised by low skills and poor level of education that is required by the formal sector to get better paid jobs.

A street vendor is any person who sells goods and services in a public space. Street vendors provide a variety of services to their clients. This includes hairdressing, commercial payphone services, photography, repair work and cooking. The majority of the urban poor resort to hawking as a means of earning a livelihood. Street vending requires little financial input and the skills required are very low, hence more people can easily participate.

Although hawking or informal trading is an economic activity, past policies did not acknowledge its contribution to the urban economy. This has however changed, and local authorities have begun to recognise street vending as an economic activity and

not a criminal activity. Given its contribution to the economy, municipal policies and by-laws must regulate this sector in a way that supports its growth. Street vendors face same challenges all over, such as harassment by police, inadequate infrastructure, poor organisation and low incomes.

The acknowledgement of the sector in the livelihood of the people and economy of localities is clearly indicated by the current approach to the management of the sector. International case studies have indicated that most countries have adopted policies to support this sector. As a result, street vending is no longer regarded as an illegal activity in most countries.

Perceptions regarding street vending continue to lead to tensions between the formal businesses, local authorities and informal traders. As a result of various tensions and perceptions, street traders across the world face constant harassment from police, although they are recognised as an important economic role-player.

A challenge facing each local authority is the need to balance the traders' perceived right to trade and the implementation of urban management plans. To deal with this challenge, local authorities must adopt policies for managing the sector, and provide resources for the implementation of the policies. This is because having a policy and having the capacity to implement it are critical for the successful management of informal trading.

A study of the South African municipalities indicated that most municipalities, especially metropolitan municipalities, have developed progressive policies that aim to develop informal traders to economically viable enterprises. Although this might be a tall order, it is important that from a policy perspective, street vendors can expect support from local authorities, and not just regulation and enforcement of by-laws. It is also important that each municipality develops a policy that is suitable for its environment and further, innovative strategies to deal with anticipated challenges. Santiago, for example, opted to allow trading time from 08h00 to 15h00 in order to deal with challenges of lighting and security. This is an example of such innovation. Of importance is that each strategy must be informed by the unique situation of that municipality.

Furthermore, if municipalities are to be successful in managing the sector, they should first have knowledge of the extent of street vending, goods and volumes in order to be able to plan properly. A good understanding of the extent of street vending will assist the municipality in determining the type of support necessary for the sector.

Another critical aspect that has emerged from the studies is the poor organisation of the street vendors. Without any strong organisation, the street vendors will not be able to participate meaningfully in the affairs of the municipality. Any attempt to manage this sector must provide for the establishment and strengthening the participation of the street vendors. In instances where they are organised, such as in most Latin American countries, the association is such that the traders cannot influence critical policy agendas. Municipalities must encourage and assist street vendors to become organised so that they can engage them more effectively. In the process, the vendor's organisations must be given certain strategic roles that will assist in improving internal governance and encourage the street vendors to comply with requirements.

This chapter has looked at the critical municipal functions that have an implication on the functioning of the street vending sector. It includes factors like regulatory environment, urban plans, and institutional environment. For each of the factors or functions identified, areas that require attention during policy development have also been identified. The next chapter analyse the state of informal trading in Polokwane Municipality. The municipality's policies and programmes have been analysed in order to assess its stance with regard to the management of the informal economy.

CHAPTER 7

POLOKWANE MUNICIPALITY'S ENVIRONMENT

7.1 INTRODUCTION

Local government, or developmental local government as it is referred to in South Africa, exists to empower communities to take charge of their lives and to live meaningful dignified lives. Local government should therefore create opportunities and an environment in which ordinary people can fully participate in economic and social activities. Furthermore, being the “government” closer to the people, it is expected to structure its systems and processes in a way that enables people to unleash their potential.

Polokwane Municipality was established in terms of the provisions of Section 151 of the Constitution as well as Section 3 of the Municipal Structure Act, 117 of 1998. The municipality is mandated to promote both social and economic development of the community as per Section 153(a) of the Constitution. Being a public institution, it is therefore governed by the various principles of public administration as per the provisions of Section 195 of the Constitution and the 1997 White Paper on Transforming Public Service Delivery.

The structure and focus of the municipal administration should be largely influenced by the New Public Administration paradigm. In terms of this paradigm, public institutions should not only focus on efficiency, effectiveness and good administrative techniques, but also on social equity as a normative standard (Chandler & Plano, 1988: 33). Schedule 5 Part B of the Constitution indicates various functions of the municipality. One of these functions is the management of informal traders. This chapter provides an analysis of how Polokwane Municipality is performing this function in relation to the public administration principles, policy and legislative

principles reflected in the previous chapters. The chapter assesses the policy and institutional environment for the management of informal trading in the municipality.

The analysis focuses on the state of the SMME sector, with special emphasis on street vending. To this end, the municipality's street vending policy and by-laws are analysed. The main objective is to evaluate the extent to which various elements of informal trading (and the informal economy in general) identified in the previous case studies, are captured. The comparison of Polokwane's informal trading policy with the policies of the other municipalities in South Africa aims to identify areas that require further improvement for better management of the sector.

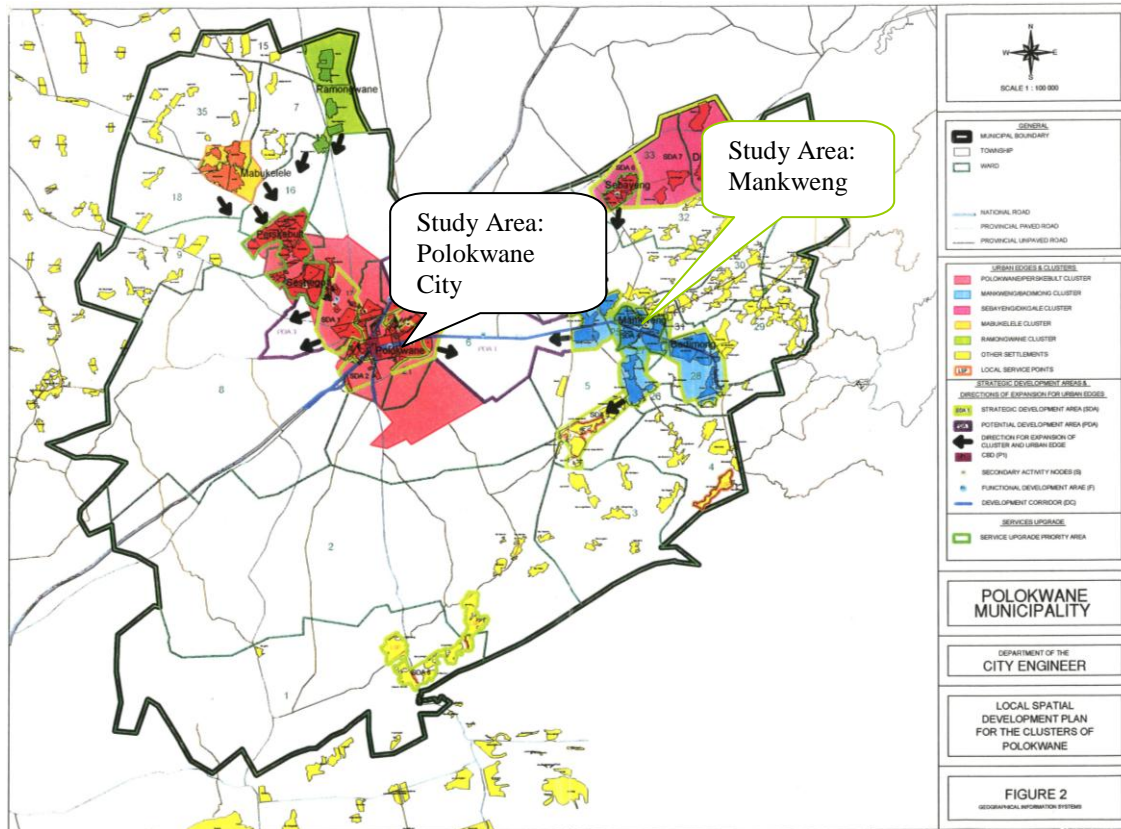
The chapter further explores the various projects implemented by the municipality in order to effectively manage the informal traders.

7.2 DEMOGRAPHICS AND SOCIO ECONOMIC PROFILE

Polokwane Municipality is located within the Capricorn District in the Limpopo Province. The municipality covers a surface area of 3775 square kilometres, which is 3,04 percent of the Limpopo's total surface area (Polokwane Municipality IDP, 2008-2011: 15). The municipality's population is approximately 561 770, which covers 10% of the Limpopo Province population. According to the IDP, the City of Polokwane has a higher settlement density than the rest of the Province (Polokwane Municipality I 2008-2011: 19).

The map below indicates Polokwane's settlements as well as the study area:

Figure 7-1 : Polokwane Municipality map.



(Source: Polokwane Municipality Spatial Development Framework, 2007).

Given the fact that Polokwane City serves as Limpopo Province’s economic hub, it has the highest population density within the Capricorn District. The table below indicates the demographic profile of the municipality:

Table 7-1: Demographics of Limpopo Province and Polokwane Municipality

Variable	Polokwane Municipality	Capricorn District	Limpopo Province
Surface Area	3 775 square km	18 750	123 910 square km
Population size	561 770	1 243 167	5 238 300
Households	130 361	285 565	1 215 935

(Source: Polokwane Municipality Integrated Development Plan, 2010/11).

The spatial dimension of the municipality is the product of the past political geography. A small urban élite (27% of the population) is surrounded by rural,

typically poor, second, third (32%) and fourth (41%) order settlements (Polokwane Municipality IDP, 2006/2011: 31). This spatial set-up has serious implications on migration patterns, and ultimately the growth of the informal economy in areas characterised by significant economic activities. The majority of the people in the municipality reside in rural areas. With more than 71% of its citizens residing in the rural areas, the municipality must come up with mechanisms that will address the provision of basic services and poverty (Polokwane Municipality IDP, 2008-2011: 15).

The table below provides a summary of the spatial classification of the municipality:

Table 7-2: Spatial classification of Polokwane Municipality

Name	Classification	Population	Settlements
Polokwane(1 st order Settlement)	PGP ⁷	+130 599	Polokwane (Pietersburg, Bendor, Welgelegen, etc.) and Seshego.
Mankweng(1 st order Settlement)	DGP ⁸	+81 942	Ga-Thoka, Badimong, Mankweng A-F, nobody-Mothiba, etc.
Sebayeng Cluster(1 st order settlement)	MGP ⁹	+13 019	Sebayeng A & Sebayeng B.
Dikgale (2 nd Order Settlement)	PCP ¹⁰	+67 067	Dikgale-3, Ga-Mokgopo, Mantheding and Titibe
3 rd Order Settlements	LSP ¹¹	+23 931	Chuene, Moshate, Thokwaneng, Ga-Maja, Ga-Molepo, Laaste Hoop

(Source: Adapted from Polokwane Municipality Draft IDP 2010/11: 15-16).

Illiteracy level in the municipality stands at 21 percent, which is lower than the Provincial average of 50 percent (Polokwane Municipality IDP, 2006/11: 30). According to the IDP, only 24 percent of the population has attained Grade 12, and only 5,7 percent has achieved a tertiary education qualification (Polokwane Municipality IDP, 2008/11: 20). As a result of this low education levels, the city is

⁷ PGP: Provincial Growth Point

⁸ DGP: District Growth Point

⁹ MGP: Municipal Growth Point

¹⁰ PCP: Population Concentration Point

¹¹ LSP: Local Service Points

plagued by severe skills shortage, and thereby unable to provide the skills required by the tertiary sector which accounts for 88,1 percent of the GGP (Polokwane Municipality IDP, 2008/11: 16).

Unemployment stands at 41 percent as compared with the Province's rate of 46 percent. This can be related to the high illiteracy and low skills level. The majority of its population (71%) is employed in sectors that do not require any tertiary education (Polokwane Municipality IDP, 2006/11: 31).

The majority of the population falls into the low-income category. This is not surprising given the primary nature of the economic activity in the province. It can also be attributed to the predominance of low-skilled labourers who normally earn far less than the highly skilled workers. Consequently, most income earned is concentrated in the lower brackets, and the majority of the people are poor, as illustrated in the table below.

Table 7-3: A breakdown of Polokwane Municipality's annual household income.

Annual Household Income (in ZAR)	Number	Percentage
1-18 000	45855	53.63
30 001- 72 000	8268	7.56
72 001 –132 000	3738	4.37
132 001- 192 000	1182	1.38
+192 000	1042	1.22
Other	8617	10.08

(Source: Polokwane Municipality IDP, 2008/11: 21).

When one considers the relationship between income, poverty and informal economy, it can be concluded that the majority of the people would try to make a living in the informal economy. As a result, one is likely to find a high level of informal economic activities in most areas. It is therefore critical that the municipality develops policies that would assist in managing the informal economy in a way that progressively

supports the sector while also regulating it, so as not to infringe on the rights of other stakeholders.

7.3 ECONOMIC ANALYSIS

The municipality is the economic hub of the Limpopo Province. It is relatively well developed, and contributes 55 percent towards the Capricorn District's GGP, which accounts for 24 percent of the Province's GGP. This implies that the municipality contributes 13 percent towards the Province's GGP (Polokwane Municipality, IDP 2006/2011: 31). The table below indicate the municipality's contribution to GGP:

Table 7-4: Sector contributions to GGP.

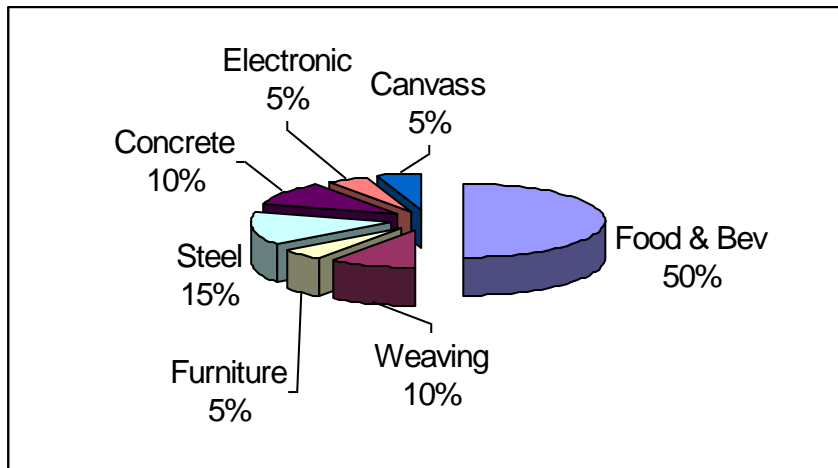
Sector	Sector Involved	Contribution
Primary Sector Total Contribution 2,9%	Agriculture, Forestry and Fishing	0,9%
	Mining	2,0%
Secondary Sector Total Contribution 9,0%	Manufacturing	5,2%
	Electricity and Water	3,8%
Tertiary Sector Contribution 88,1%	Finance and Business Services	33,5%
	Wholesale & Retails Trade, Catering and Accommodation	20,0%
	Transport and Communication	15,5%
	Community Services	19,6%

(Source: Polokwane Municipality, IDP 2008/2011: 16).

Polokwane Municipality and the Limpopo Province's economies share some important commonalities with respect to growth sectors (services, trade and finance), and sluggish sectors (agriculture and manufacturing). One key distinction, however, is

with regard to the sectoral composition of the economies in respect of mining. Although Polokwane does not have mineral deposits, the sector has an important multiplier effect on the level of economic activity in the area. The graph below indicates the various economic sectors in the municipality:

Figure 7-2: Dominant manufacturing subsectors in Polokwane.



(Source: Polokwane Municipality IDP, 2006/2011: 32).

According to the graph, the food and beverages sector is the most dominant sector, because of the existence of big national and international companies such as SAB-Miller Breweries, Enterprise Foods, several milling companies and others (Polokwane Municipality IDP, 2006/2011: 32). Given the relationship between the formal and informal economies, it would be interesting to see how this sectoral distribution manifests itself in the informal economy, which is the focus of this study. According to the municipality's IDP document, hawkers account for at least 24% of the economic activities. This is a significant percentage, and already indicates the extent of informal trade in the municipal area. A significant question though is whether this percentage means that the hawkers have adequate facilities where they conduct business.

7.4 STATE OF THE INFORMAL BUSINESS SECTOR WITHIN POLOKWANE MUNICIPALITY

The informal sector contributes towards income generation and job creation, and thereby leading to social and economic development of communities. In a bid to understand the state of the informal sector, the Polokwane municipality undertook a study¹², which found that SMMEs in the informal sector were concentrated in the commerce, trade and hotels. Only a few were involved in manufacturing at only 13 percent compared to the 21 percent for formal firms. The table below indicates the distribution SMMEs in the informal sector:

Table 7-5: The distribution of SMMEs in the informal sector

Sector	Number of SMMEs	% of Total
Crops	68	0.4
Livestock	58	0.4
Manufacturing	2.221	13
Construction	545	3.3
Commerce & Trade, Hotels	10.194	62
Transport	10	0.1
Services	3.939	21
TOTAL	16.489	100

(Source: Polokwane Municipality, SMME Strategy and Implementation Plan Phase 1: Status Quo Analysis; 2006:29)

According to the table, only 13 percent of the SMMEs are in the manufacturing sector. This means that the ability of the sector to create much-needed jobs is badly affected. Unlike the trade sector, which mainly relates to purchasing and selling, the

¹² The study was conducted by the Municipality in 2005 in order to develop a strategy for developing the SMMEs. As part of the study, a status quo analysis was undertaken to determine the extent of SMME activities in the entire municipal area.

manufacturing sector has the capacity to create jobs and generate wealth for the participants. It is therefore important that the municipality should focus on supporting and facilitating the establishment of businesses in the manufacturing sector as a mechanism to address the issues of poverty and unemployment. Looking at the table above, there is high correlation between the informal businesses and various sector contributions to the Gross Geographic Product (GGP). As indicated earlier, wholesale, retail, catering and accommodation contributed at least 20 percent to the GGP (Polokwane Municipality IDP, 2008/2011: 16). The findings of the study confirm the fact that there is a linkage between the formal and informal economy.

It is also not surprising that the study found that the majority of the firms in the informal sector are smaller, with employees ranging between 2 and 4 employees (Polokwane Municipality, SMME Strategy and Implementation Plan Phase 1: Status Quo Analysis, 2006:29). Any intervention or programme to manage the sector should take this into consideration. It further brings to light the notion that the informal sector's ability to create jobs might be overstated. If that is the case, any intervention mechanism should address both welfare and productive assistance. It further implies that intervention mechanisms should differentiate between survivalist and sustainable enterprises.

Another interesting finding from the study is the source of SMMEs start-up capital funding. One of the greatest challenges facing SMMEs is access to funding. This lack of access to funding affects the operations of SMMEs as well as their effectiveness. The table below indicates the main sources of funding:

Table 7-6: Principal Source of SMMEs Start-Up Capital

Source	Prior to 1994	1994-1999	2000-2005
Loan from family/friends	3.04	4.82	5.93
Given free from family/friends	33.14	17.62	32.11
Money lender/Mashonisa	6.02	4.24	7.92
Own savings	19.90	27.82	20.17
Own savings from Agriculture		3.86	
Own savings from Non-agriculture	24.46	27.79	21.31
Agricultural input/credit	-	-	0.46
Credit Institution	-	-	1.39
Inherited Business	-	-	0.38
Savings Club	-	-	0.24
Did not require capital	13.46	4.35	5.95
Other	-	3.36	4.15

(Source: Polokwane Municipality, *SMME Strategy and Implementation Plan Phase 1: Status Quo Analysis*, 2006: 32).

According to the table, 38.8 percent of the informal businesses received their start up capital from family or friends in the form of loans or grants (5.93 per cent and 32.11 percent respectively). It is also interesting to note that 41.48 percent of the start-up capital came from own savings as opposed to a mere 1.39 percent received from credit institutions. This indicates that there are financial assets that are available within communities which are often overlooked by planners and policy-makers. This might also mean that instead of focusing on credit institutions as a source of capital,

more attention should be placed on strengthening the ability of families, friends and social networks as a source of capital. This is in line with the sustainable livelihoods development approach.

In terms of the use of business profits, the study found that two thirds of the profits is spent on household needs, thereby indicating more the survivalist role of the business. However, 11 percent reinvested in their business while another 9.4 per cent put the money into savings. The fact that more than 20 percent either reinvested or saved the profits indicates the ability of the sector to creating wealth for the participants, thus contributing positively to economic development. This further means that policies for managing the informal economy should have support as a critical issue. The table below reflects the use of business profits by sector profits:

Table 7-7: Use of Business Profits by Sector Activities

Sector	Use in household needs	Reinvest in this business	Reinvest in another business	Give to family in rural areas	Put into savings	Use for entertainment	School fees	Nothing/No profit	Other
Crops	0.41								
Livestock	0.35								
Manufacturing	9.34	0.76			0.93		0.35	1.75	0.35
Construction	3.14	0			0.16		0	0	0
Commerce & Trade, Hotels	39.1	8.71		0.35	5.08	1.56	1.09	4.25	1.71
Transport	0	0		0	0.06	0	0	0	0
Services	11.21	1.90	1.39	0.06	3.17	1.05	0.64	0.47	0.68
Total	63.55	11.37	1.39	0.41	9.4	2.61	2.08	6.47	2.74

(Source: Polokwane Municipality, SMME Strategy and Implementation Plan Phase 1: Status Quo Analysis, 2006: 32).

The table reaffirms the notion that the sector plays a significant role in both social and economic development of communities. The fact that approximately 63.3 percent of the profits were used for households needs is an indication that due to participation in this sector, most families are able to meet their basic needs, thus improving their quality of life. Although only 0.41 percent was given to families in rural areas, the amount did, however, enable some families to meet their basic needs. Furthermore, the fact that at least 9.4 percent of the profits is reinvested is a positive indication of the sector's contribution to economic growth.

The study found that the main constraints faced by the sector are access to finance and markets as shown by the table below (Polokwane Municipality, SMME Strategy and Implementation Plan Phase 1: Status Quo Analysis, 2006: 37).

Table 7-8: Current Constraints on Business

Problem Category	Primary Constraint	Secondary Constraint
Finance	25.87	11.01
Tools/Machinery	0.88	0.76
Market problems	24.08	13.78
Government/Regulatory	1.01	0.79
Shop/Rental space	3.14	2.87
Input problems	2.49	5.76
Transport problems	1.11	0.70
Labour problems	1.27	1.05
Utilities problems	3.35	3.06
Technical problems	1.05	1.40
Miscellaneous problems	2.26	2.49
Other Closure problems	0.06	1.05
No problem	33.42	55.18
Total	100	100

(Source: Polokwane Municipality, SMME Strategy and Implementation Plan Phase 1: Status Quo Analysis, 2006: 37).

The study also found that firms in the dominant sectors of manufacturing and commerce, trade and hotels reported more problems with finance and markets. Although access to markets is a serious constraint, the problem could be as a result of the type of products produced or sold as opposed to lack of markets. If an enterprise is selling or producing “wrong” products, such an enterprise is bound to be faced with a problem of markets.

Another important aspect is that there is a limited number of firms accessing support programmes, which negatively affects their ability to improve their businesses. The study found that only 5.5 percent received support in areas of training and credit (Polokwane Municipality, SMME Strategy and Implementation Plan Phase 1: Status Quo Analysis, 2006: 39). This percentage is very low, as is its impact.

In summary, the following emerged from the study (Polokwane Municipality, SMME Strategy and Implementation Plan Phase 1: Status Quo Analysis; 2006:29-39):

- 92.6 percent of the SMMEs were in the informal sector, accounting to more than 86 percent of the employment.
- Most businesses are heavily concentrated in the commerce, trade and hotels, with very few in manufacturing.
- Most businesses are very small with few employees, with the majority having one employee followed by those with 2 to 4 employees.
- 58.8 percent of the informal businesses are owned by women.
- 41.48 percent of the start-capital came from own savings as opposed to a mere 1.39 percent received from credit institutions.
- The other major source of start-up capital funding is from family and friends in the form of loans or grants, with percentages of 5.93 and 32.11 respectively.
- The biggest percentage of the business profits (63.55%) is used for household needs, followed by 11.37 percent that was reinvested into the business.
- The major constraints are access to markets and finance, with businesses in manufacturing and commerce, trade and hotels reporting more problems with finance and markets.

- Start-up costs are lowest in commerce, trade and hotel firms. This could be the reason for the number of participants, as opposed to other sectors like transportation that require high start-up costs.

7.5 STATE OF STREET VENDING IN POLOKWANE MUNICIPALITY

Like other municipalities, Polokwane is faced with the challenge of an ever-increasing number of informal traders, particularly street vendors. According to a study conducted in 2002, Polokwane had one hundred and forty-three (143) informal traders during 2002. The average surplus per trader per month varied between the different trading areas. The average monthly surplus for the traders in an area like Seshego Township, was R1 462. Traders at the taxi rank had an average surplus of R2 045 per month, while traders at the Indian Plaza, who sell mostly vegetables, earned R946 per month (Polokwane Municipality IDP, 2006/2011: 33). This difference confirms the fact that the location of the trader determines the profit that the trader will make.

It is also indicated that most of the supplies are sourced locally. For example, fruit and vegetables are purchased from Goseame Market while meat is sourced from Vleislapa and Sams butcheries (Polokwane Municipality IDP 2006/2011: 33). This confirms the fact the informal and formal economies are integrally linked, with the informal economy in most instances serving as an extension of the formal economy.

The study also found that the informal traders fall into two categories, namely, survivalist and micro enterprises. Survivalist enterprises tend to have no paid employees and a minimal asset value. These enterprises are trapped in poverty, and generate an income below the minimum income standard or the poverty line. The sector provides only a minimal level of subsistence means for the unemployed and their families. The majority of survivalist enterprises are involved in hawking, vending and subsistence farming, among other things. According to the municipality, the survivalist enterprises have an important role to play in the municipality's local economic development as they have the potential to absorb unskilled labour (Polokwane Municipality IDP, 2006/2011: 33).

Another study¹³ conducted by the municipality in 2003 identified several issues with regard to the state of street vending in the city. During the study, pedestrians, formal business owners and informal business owners were interviewed, and the following emerged (Polokwane Municipality, Proposed Market for Informal Traders: 2004):

(a) Responses from pedestrians:

- Of the 218 pedestrians interviewed, one hundred and seventy-nine (179) used the taxi as a mode of transport as opposed to four (4) and seventeen (17), who walked or used their own cars respectively. Twenty-eight (28) used buses as a mode of transport to come to the city.

The implication of this finding is that most pedestrians, who are the primary customers for the street vendors, rely on public transport. This means that the positioning of facilities or areas earmarked for hawkers should be in close proximity or en-route to major public transport facilities to ensure maximum utilization by the intended beneficiaries.

- Pedestrian flows within the target area are largely determined by the location of various grocery stores close to the taxi rank. This highlights the relationship between formal business and informal businesses. Therefore for planning purposes, it is important that areas earmarked for informal trading are not dislocated from the areas where formal businesses are situated.
- The study also found that the majority of the pedestrians were shoppers and not people walking to and from work. Therefore, the likelihood is that where there are big and well-known brand shops, one is likely to find street vendors because of the high pedestrian flow.

(b) Perceptions from organised formal business:

An interesting aspect of the study is that formal business owners were also interviewed to get their perspective. The following views were raised by the formal

¹³ The municipality conducted a pre-feasibility study as part of its programme to provide trading facilities in the CBD in 2003. The study was aimed at finding an appropriate business model that would enable informal and formal sector traders in the Polokwane Municipality, particularly within the Central Business District to co-exist constructively and thereby promoting the local economy.

business owners:

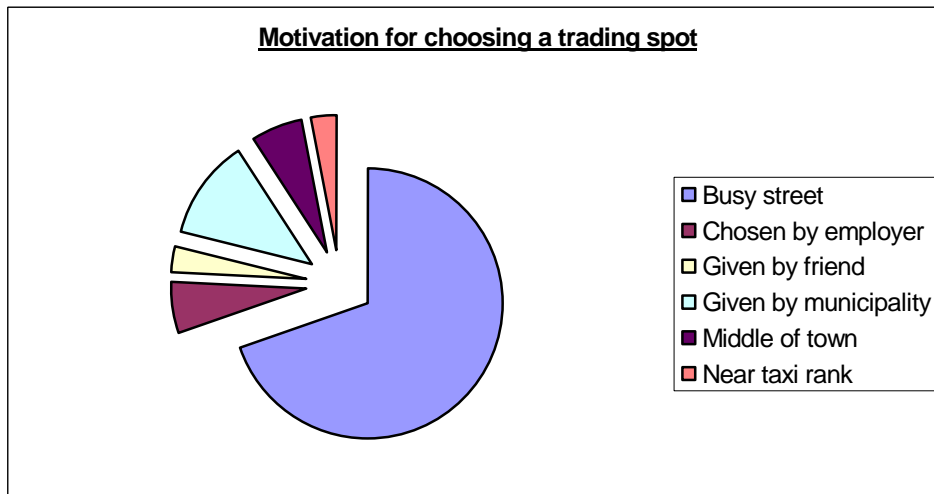
- The business chamber indicated its support for the informal sector, which is viewed as an “incubator” for entrepreneurs and contributes towards job creation in Polokwane.
- The chamber supported the programme of providing trading facilities for the informal sector.
- The chamber raised concern over the lack of proper regulation causing the rights of formal sector to be infringed. This refers to both the enforcement of existing by-laws and to the formulation of new regulations as the changing situation demands.
- The most direct way in which the formal sector is badly affected by the informal traders, is the blocking of access to the various shops and the sidewalks and parking areas outside shops.

(c) Responses of informal business owners

A further section of the survey focused on the informal traders. The following issues emanated from the survey:

- Most heavily traded items were fruits and vegetables, followed by bags and clothes. Public phones are also becoming a prominent informal trading activity.
- Food preparation occurred at highest incidence particularly next to taxi ranks.
- Reasons for choosing a trading spot ranged from busy streets (67.9%), middle of town (6.1%), given by municipality (12.1%) or being allocated by a friend (3.0%). The graph below shows the motivations provided by the informal traders (Polokwane Municipality, Proposed Market for Informal Traders, 2004:10):

Figure 7-3: Motivation for choosing a trading spot.

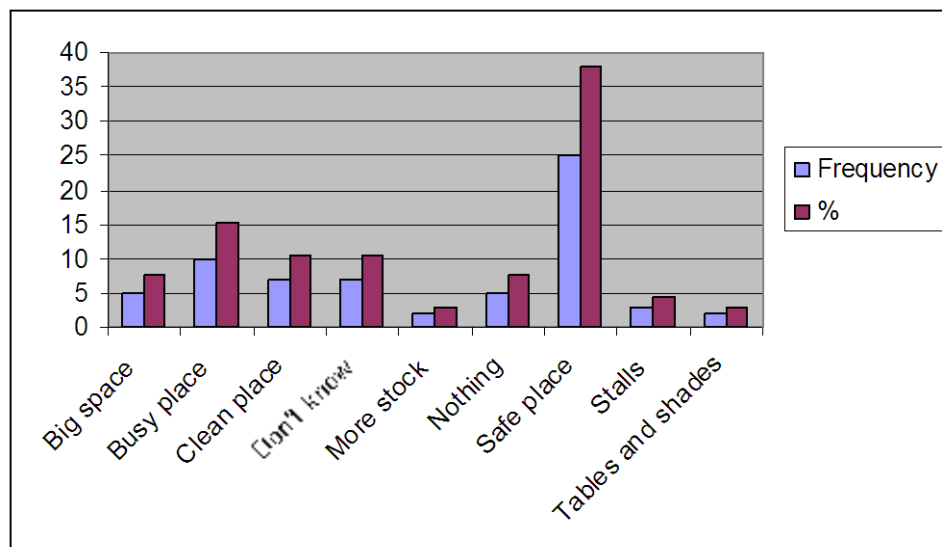


(Graph developed by author, information sourced from Polokwane Municipality, Proposed Market for Informal Traders, 2004).

According to the survey, 69.7 percent of the respondents chose to trade where they are because the area is a busy street, which means more customers. The municipality should therefore take this into consideration when identifying areas for the informal sector. The implication is that in identifying sites where informal trading can be undertaken, the municipality should not demarcate sites far away from the formal business areas that have more pedestrians. Should the municipality develop informal markets far from the busy formal areas, it could lead to the facilities being under-utilised or not utilised at all.

The survey also found that informal traders considered safety, cleanliness and how busy the area was as important for carrying out their business successfully. The picture below depicts the rankings of the various factors:

Figure 7-4: Factors considered when choosing a vending location



(Graph developed by author information sourced from Polokwane Municipality, Proposed Market for Informal Traders, 2004: 11).

As per the ratings, safety is the highest factor affecting choice of location, ranked at 37.9%. Traders are of the view that a safe place where they can sell and store their products will improve their business.

The second most important factor is a busy place (15.2%). This obviously leads to more income for the hawkers. A busy place which is equally safe is therefore a priority for the vendors. The implication of this is that hawkers' facilities should be at busy places and that both active and passive security measures should be provided by the municipality to improve safety.

The study identified the following problems with regard to the management of the informal traders (Polokwane Municipality, Proposed Market for Informal Traders, 2004: 8):

- Unhygienic conditions and stench in the streets caused by the slaughtering of chickens, disposal of cooking fat and blood in storm water drains and uncontrolled refuse disposal.
- Unsafe use of gas cookers.

- Lack of public ablution facilities in some areas.
- Trading areas not well demarcated, giving illegal traders opportunities to operate unnoticed.
- Bigger operators that should actually be in the formal sector employing informal traders with individual permits in their own names.
- Lack of holding facilities for equipment and stock in the CBD, therefore hawkers sleep in their stalls, exacerbating the problems of hygiene and crime.
- Building materials used for the cooking shelters are highly flammable, as are many of the items, such as cooking oil.
- Transgressions of the health and safety regulations and contravention of the Abattoirs Act by traders preparing food, chopping bovine heads and slaughtering chickens on the street.

Pictures taken by the researcher in 2008, indicating the state of street trading confirm this state of events, are presented later in the chapter during the analysis of projects. In conclusion, although the study area was just a small portion of the CBD, it however depicts the state of informal trading within the city centre, a phenomenon which is likely to replicate itself throughout the city and other major urban centres within the municipality.

It is clear, however, that the municipality acknowledges that the current state of informal trading, particularly street vending is not desirable. Furthermore, it also acknowledges the role played by the informal business sector in the local economy, in increasing the income levels of the majority of the people. To this effect, the municipality is implementing several projects aimed at assisting this sector.

7.6 POLICY AND LEGISLATIVE ENVIRONMENT

Considering the findings of the various studies undertaken by the municipality, the sections below assess the initiatives undertaken by the municipality to address the challenges. The section looks at the policies, bylaw(s) as well as the projects being implemented to address the plight of both the formal and informal business owners.

7.6.1 Polokwane Municipality Street Vending Policy

The municipality has developed a policy for the management of street vending activities within its area of jurisdiction. The policy describes the informal sector as those activities that contribute to the general economy through self employment (Polokwane Municipality, undated: 4).

The policy serves as an instrument to regulate the operations of street vendors in order to reduce health hazards normally associated with street vending. It further intends to create an environment that enables both formal and informal sectors of the local economy to coexist (Polokwane Municipality, undated: 3). This is very important in that the municipality acknowledges the fact that it is not a situation of either the formal or the informal business sector. It instead entrenches the fact that the local economy is made up of two sides, being the informal and the formal sides.

The policy was developed to attain the following objectives (Polokwane Municipality; undated: 5):

- To create harmony between the formal economy and the street vendors.
- To support street vendors to move from being survivalist enterprises to being sustainable.
- To increase the job creation and poverty eradication capacity of the informal sector by supporting the street vendors.
- Facilitate economic growth by creating a clean environment that promotes investment attraction and retention.
- To ensure compliance with the health standards by creating awareness.

As indicated, street vending is high in the municipal area, particularly within the various urban centres. The following challenges have been identified with regards to current state of street vending in the municipality (Polokwane Municipality undated: 7-8):

- Exposure to harsh weather conditions due to lack of facilities.
- Insufficient regulation that attracts criminal elements those pose as informal traders.

- Accumulation of garbage and resultant obnoxious odours that is detrimental to the formal business environment.
- Lack of sufficient facilities in trading areas such as ablution facilities.
- Trading areas that are not well demarcated, providing illegal traders with an opportunity to operate without permits.
- Dysfunctional permit system.

An analysis of the policy identified several strong points:

- The policy identifies sector specific challenges. For example, challenges related to repair of motor vehicles on the pavements and parking areas include pollution as a result of oil spillage, pedestrian injuries and littering. Cooking services, on the other hand, pose challenges of pollution of the storm water and ultimately rivers (due to dirty water being spilled into the storm water system), hazardous cooking practices as well as potential diseases due to unhygienic conditions of preparing food. This identification is important as it provides the basis for developing relevant interventions.
- The policy further classifies the various trading activities in terms of what can be traded, and under which circumstances.
- It further identifies prohibited goods and services such as the sale of flammable liquids, repairs of motor vehicles sale of raw meat, and others. This is important in that if properly implemented, it will form the basis for the bylaw as well as permit conditions. It will further make it easy for enforcers to identify transgressions and act accordingly.
- The role of various units within the municipality is indicated. This is critical as it will ensure integration and better coordination.

7.6.2 Institutional Arrangements

For a long-time, informal business management was equated to regulation; hence the approval of sites and issuing of permits was administered by the division responsible

for community safety. However, the function has been moved to the LED Division, and is administered as part of the Sustainable Livelihoods Programme (Polokwane Municipality Draft IDP, 2010/11). This shows that the municipality recognises street vendors as business people engaged in an economic activity. This is evident in the policy, which attempts to integrate the role of various strategic business units (SBUs) within the municipality as indicated hereunder:

Table 7-9: Institutional Arrangements for the management of street vendors in Polokwane Municipality

Role-Player	Responsibility
Local Economic Development SBU	<ul style="list-style-type: none"> • Ensure the implementation of the policy and oversee the entire management of the hawking activities within the boundaries of the municipality. • Co-ordinate activities of other different SBUs that play a role to support and regulate the hawkers within the municipality. • Facilitate the provision of necessary infrastructure required for the proper functioning of the business, e.g. buildings and immovable equipment at various locations identified for street vending. • Identifying areas that should be earmarked for trading in line with the Spatial Development Framework and any other planning policies e.g. CBD policy. • Issuing and management of hawker permits.

Community Safety and Traffic and Licensing SBU	<ul style="list-style-type: none"> • Ensuring safety and security for both the street vendors and the public. • Enforcing the by-law on street vending and any other applicable legislation. • Conducting regular inspections to ensure that hawkers comply with the rules and regulations as outlined in their permits.
Roads and Storm Water SBU	<ul style="list-style-type: none"> • Demarcating trading areas. • Putting signs and boards in areas allowed for street vending.
Spatial Planning and Land Use SBU	<ul style="list-style-type: none"> • Land use regulation and zoning. • Applying for appropriate land-use rights.
Environmental Health SBU	<p>Conducting regular inspection to ensure the cleanliness of the city and that the food sold is wholesome and hygienic.</p>
Communications and Public Participation SBU	<p>Ensuring that the process of public participation is adhered to during the implementation of the policy.</p> <p>□</p>

(Table created by author, information sourced from Policy for the management of street vending within Polokwane Municipality, undated)

A notable gap in the policy is that it does not indicate the quantitative aspect of trading within the municipal area. The policy is silent on the role of the external stakeholders such as the business sector and the Informal Traders' Association(s), an omission that could result in tensions. Of all the other policies studied, Polokwane

municipality is the only municipality that has included the role of communications and public participations division as a critical stakeholder.

This is excellent in that it will ensure that the municipality does not unilaterally impose the policy or interventions but would consult widely with the informal traders and other affected stakeholders.

7.6.3 Projects implemented by the municipality to manage informal businesses

As Deng (1998:216) maintains, for ordinary people to fully participate in the productive activities of their national economies, they must have easy access to economic resources and institutions. However, such provision of basic assets, for example equity-enhancing land reform measures, micro-credit, physical infrastructure and extension services should be done in consultation with the concerned communities. This implies that interventions must be undertaken not only in response to market failures, but also in empowering the communities so that they take care of their poor and other vulnerable groups in society. In this regard, three interventions namely skills development, provision of credit, and small-scale enterprise are critical.

The above provides three areas that require attention if the quality of life is to be improved. It is also important to note the relationship among the three areas, as they should not be considered in isolation from each other. For example, it has been indicated that most people are engaged in micro-enterprises to survive. These are normally the poor and vulnerable people, who if not assisted may not progress any further. At the same time they have their labour as their most valuable asset. Therefore it is important that they are equipped with the relevant and critical skills needed to improve their enterprises, hence the centrality of skills development. Furthermore, they also need to have access to credit so that they are able to use such assistance at any stage of their business development.

As required by legislation, municipalities have to develop a system to strategically identify, implement, manage, monitor and evaluate LED programmes, services and projects. It is on this basis that the Polokwane Municipality is implementing various

projects aimed at assisting the small business sector. The study tried to assess the extent to which Polokwane Municipality has prioritised the three elements in its programmes of managing the street vendors. The section below looks at some of the projects being implemented.

7.6.3.1 Itsosheng Entrepreneurial Development Centre

The municipality has established the centre as an incubation centre where small businesses are accommodated and provided with the necessary support for sustenance (Polokwane Municipality Draft IDP, 2010/11:139). The establishment of the centre has catered for two sectors, those selling at the street corners as well as those that were operating from backyards without the necessary infrastructure such as buildings and electricity. Approximately forty-six small and micro businesses have been incubated and are creating jobs, with specific emphasis on manufacturing.

7.6.3.2 Church Street Taxi Rank Hawkers Facility.

The Limpopo Shopping Mall is a modern shopping complex within the city centre and is situated in close proximity to the taxi rank. This location has made it a popular location for the hawkers, plying their trade in vegetables, fruit sales and cooking. The municipality has tried to provide some stalls for the hawkers (particularly for those trading in fruits and vegetables) as per the picture below, but this has not alleviated the problems associated with hawking, such as easy pedestrian flow along the pavements. While the stalls were aimed at making the place look tidy, this has not been the case. The hawkers have extended the steel shelters with some plastic coverings (as can be seen from the pictures below), which have made the place look unsightly. This could mean that the designs do not address the needs of the beneficiaries. It could also be a signal that the beneficiaries might not have been consulted in the design of the structures.

Picture 7-1: Hawker stalls next to Limpopo Mall provided by the municipality



(Source: Picture taken by author)

In terms of hawking problems, the other troublesome sector is the cooking sector. The cooks have taken over the parking space, and turned it into “mobile restaurants” where they cook for shoppers and office workers as shown in the picture below:

Picture 7-2: Cooking activities at the parking area of the Limpopo Mall



(Source: Picture taken by author).

This sector poses many dangers. The cooking practices employed are unhealthy and there is potential danger of fire due to the flammables used.

The picture below shows the type of equipments used, as well as the state of hygiene in the area.

Picture 7-3: Equipments used by the cooking vendors at the Limpopo Mall parking area



(Source: Picture taken by author).

Because of lack of proper infrastructure, the storm water system is used to dispose of dirty water instead of the drainage system. This water ends up in the rivers thereby polluting river water. This could ultimately lead to water-borne diseases for downstream users. The picture below depicts the state of a storm water system used for disposing dirty water:

Picture 7-4: A storm water drainage system used to dispose of dirty water at the Limpopo Mall parking area



(Source: Picture taken by author).

On the other hand, this is a livelihood for the people. Most are able to make a living form this practice, with the majority being women. A tour of the area indicated that majority of the traders were women.

It is obvious that the current practice by hawkers poses health risks, but the municipality cannot stop them from trading without providing an alternative.

Attempts to move them away from the current places could be met with resistance, and a result of this will be conflict, making regulation impossible.

In an endeavour to manage, regulate as well as support the sector, the municipality is planning to build facilities for the cooks. Once the stalls have been completed, cooking outside the stalls will be prohibited, and there will be standards that will have to be maintained, for example, compliance to the fire and health regulations.

7.6.3.3 The African Market

This project is aimed at bringing various SMMEs in different sectors together within the city centre. The aim is to have a trading area that will truly depict the different cultures of Limpopo. The design will include restaurants, arts & crafts centres, stage and stalls for cooks, fruits and vegetable sellers, etc.

According to the municipality, there have been delays in implementing the project due to land availability, as the municipality has to purchase land from private sellers who seem unwilling to sell their land. Once completed, hawking will not be allowed within a certain radius of the centre. What is evident is that the municipality cannot stop street trading, but such trading can be regulated by providing the necessary support in the form of infrastructure thereby controlling where trading is allowed, and what products to be sold.

Presently, the traders cannot be moved from the current area of operation to the outskirts. This area is the most prime land within the CBD, and en route to the various public-transport sites.

Below are pictures indicating the extent of trading within the area earmarked for the African Market Project:

Picture 7-5: Street trading closer to the area earmarked for the African Market



(Source: Picture taken by author)

As can be seen, some street traders do not keep their surrounding areas clean. As a result of this, most people might avoid the businesses in such places, thereby affecting the formal businesses negatively.

What is evident is that the areas that have been identified for the various projects are within the CBD and also in close proximity to the public transport facility. This is a good approach as it will ensure that the facilities are well used, resulting in a win-win situation for the informal traders and the municipality.

7.6.3.4 Mankweng Hawkers Centre

Mankweng Township is also experiencing high levels of informal trading particularly around the CBD. This has created a situation that requires urgent intervention for the municipality in order to attract investment in the CBD. The pictures below indicate the extent of trading at one of the gates at the University of Limpopo which is close to the shopping complex. Of note is the disparity between the formal business and the

hawking activities in the first picture. There is a signboard that reads “Private Property: No hawking allowed”. However, the hawker is selling just below the sign which prohibits hawking!

Picture 7-6: Street trading outside the Mankweng shopping mall



(Source: Picture taken by author).

Despite the provision of temporary hawker stalls by the complex owners, trading still occurs in an uncontrolled manner. This also indicates that the formal sector acknowledges the presence of the informal sector, and that it cannot be stopped no matter how hard authorities try.

The picture below depicts the state of hawking at the University Gate, after trading hours. The sight is not very pleasing, and interventions are urgently required to change the situation.

Picture 7-7: Trading at the University of Limpopo Gate.



(Source: Picture taken by author).

The municipality is currently constructing a centre that will accommodate the hawkers at the University Gate (Polokwane Municipality, Draft IDP 2010/11, 140). The Mankweng Hawkers Centre is located within the Mankweng CBD. Significantly, the stalls are not uniform. They are designed as per the type of activity they pursue. For instance, for traders selling fruits and vegetables, the stalls are equipped with a sink and running water to improve hygiene. Cooking stalls are equipped with a gas stove and a sink. For hawkers selling goods such as bags and belts, as well as those for shoe cobblers, the stalls are equipped with a locker and a working top. It is anticipated that all the stalls would have enough storage so that merchandise can be locked securely. Hopefully, the new design will increase security, one of the aspects raised by the hawkers as being important in earlier studies.

Picture 7-8: The newly constructed Mankweng Hawkers Centre.



(Source: Picture taken by author).

7.6.3.5 Mankweng Hospital Taxi Rank and Hawkers Stalls

Mankweng Hospital is part of the Polokwane-Mankweng Hospital Complex. It serves as a referral hospital in the Limpopo Province. This has attracted a number of hawkers as well as taxis operating at the hospital gate.

The pictures below indicate the state of informal trading at the hospital gate:

Picture 7-9: Hawking activities at the hospital gate.



(Source: Picture taken by author).

Picture 7-10: An informal taxi rank at the hospital gate.



(Source: Picture taken by author).

The municipality and the hospital management have agreed to provide the necessary facilities for the project. The hospital will make the land available while the municipality will provide and maintain the necessary infrastructure.

Looking at all the projects that the municipality is implementing, it can be concluded that:

- As a way of regulating where hawking is permitted, the municipality plans to offer alternative and necessary support in the form of infrastructure. This is because the issue of regulation of the informal business sector cannot be considered in isolation from support of the sector. The municipality has to provide the support to the informal sector in order to be able to control it. For example, by demarcating certain areas, and providing the necessary infrastructure, the municipality would be able to regulate hawking. The important question perhaps is this: what comes first, support or control? Should the municipality first provide mechanisms to support the sector and thereafter measures for control, or should it regulate and thereafter support it within the confines of regulatory mechanisms? Alternatively, should the two aspects (support and control) be tackled simultaneously?
- The municipality is trying as much as possible to provide infrastructure where hawking is currently taking place. Except for the African Market project, all centres are built on the sites where the vendors are selling. In the case of the African Market, since the area will cover a bigger portion of the CBD, some hawkers will be relocated from their current areas to the new area.

7.7 ADMINISTRATIVE AND MANAGEMENT ENVIRONMENT

Efficient and effective management of informal businesses is dependent upon the availability of a supportive administrative and management environment. Two main issues can be identified as being central to the creation of such an environment, namely decision-making processes and systems, and the attitudes of public administrators.

In terms of decision-making, different units within a local authority take decisions affecting informal businesses. These include units such as traffic control, planning and health. In the absence of a proper coordinating mechanism, decisions will be

fragmented, affecting the sector negatively, since each unit might have a different objective to pursue.

This scenario is also evident within the Polokwane Municipality. There are various SBUs involved with street vendors albeit at different levels and for different purposes. The Community Safety SBU, for example, has been responsible for issuing hawker permits and enforcing street trading by-law. What has been observed over time is that this is regarded as a revenue stream, and has resulted in permits being randomly issued without due consideration of the implications, with the by-law being minimally enforced.

Hawker management is a programme within the sustainable livelihoods programme implemented by the Local Economic Development SBU. The SBU is expected not only to develop a policy for street vending, but also to develop and implement projects that will help to develop this sector. This imperative is based on the acknowledgement of the role that this sector is playing in both economic and social development. As a result, instead of focussing only on the regulatory role, the municipality aims to strengthen and support this livelihood. The LED SBU's focus is more on support of the sector. According to the municipality's IDP, the unit is also responsible for investment promotion within the municipality. This requires the unit to ensure that there is a balanced approach to taking care of both formal and informal businesses, which can be attained through proper management of the hawkers.

The other critical SBU in the equation is Community Health. The role of this unit is to ensure adherence to health and hygienic standards, particularly for businesses selling food. This is a serious challenge when it comes to the street vending sector, as one finds a situation where permits have been issued for hawkers who cook in areas without proper water, drainage and energy services. This is evident in some of the pictures presented earlier, especially within the Limpopo Mall parking area. This creates a serious problem for the vendors. In this context, the vendors cannot comply with the Health Regulations. As a result, the unit is faced with a dilemma of whether to prosecute or allow the *status quo* to remain. What is happening is that the unit is not enforcing the regulations.

7.8 POLOKWANE MUNICIPALITY STREET VENDING BY-LAW

The municipality adopted the current by-law in 1997. This was subsequently published by the former Transitional Local Council of Pietersburg/Polokwane. The by-law is clear in terms of areas prohibited for street vending. Section 2d(iii) of the by-law clearly indicates that “trading is not allowed at a place where it substantially obstructs pedestrians in the use of the sidewalk and on the verge of a building in which business is carried on by any person who sells goods of a similar nature to goods sold by the street nature”. However, although this is clearly spelt out, it is not being enforced, hence the chaotic state of street vending in Polokwane (see the pictures earlier in the chapter).

To emphasise the current challenge to the enforcement of the by-law, one can refer to Section 5(1) (e). This section maintains that a street vendor who disposes any litter in a manhole, storm-water drain or any other place not intended for the disposal thereof, commits an offence. Ironically, the municipality has issued permits to traders who cook in areas without any facilities. As a result of lack of proper facilities, the dirty water is disposed off into the storm water drainage system as shown in the pictures. Such water is being discharged into the rivers without any purification, thereby contaminating the water. This can lead to the outbreak of water-borne diseases.

Other offences as per the by-law relate to the cleanliness of surrounding stands. However, this is not being enforced, and as such areas earmarked for trading are extremely filthy. This lack of capacity to enforce the current by-law is a challenge for the municipality, which will have to develop internal capacity not only to draft the necessary policy to manage street vending but also to implement the policy. Furthermore, the institutional model for developing and implementing such a policy should thoroughly assess the capacity requirements and have a clear plan, failing which the policy and subsequent by-law will be of little use.

7.9 COMPARISON OF VARIOUS MUNICIPALITIES' INFORMAL TRADING POLICIES

In the previous chapter, the policies of various municipalities in South Africa were analysed. The objective was to identify salient and critical issues to be considered when a policy for managing informal businesses in an area is developed. In this section, Polokwane Municipality's policy is compared with the other policies.

Table 7-10: Comparison of various municipalities' policies for managing informal trading.

	City of Cape Town	eThekweni Metropolitan Municipality	City of Johannesburg	Polokwane Municipality
Scope of Policy	Policy focuses on informal trading.	Policy is comprehensive, covering the entire informal economy.	Policy focuses on informal trading.	Policy focuses on street vending only.
Vision	Indicated.	Indicated.	Indicated.	Not indicated.
Mission	Indicated.	Indicated.	Indicated.	Not indicated.
Objectives	Clearly outlined.	Clearly outlined.	Clearly outlined.	Clearly outlined.
Institutional Arrangements	Clearly outlined.	Clearly outlined.	Clearly outlined.	Clearly outlined.
External Stakeholders	Partially indicated. Role of external stakeholders like the Traders Association or City Improvement District limited to marketing, and not clearly indicated in the policy.	Indicated in the policy.	Role of external stakeholders like the Hawkers/Traders Association indicated in the policy.	Role of external stakeholders like the Hawkers/Traders Association not indicated in the policy.
Complementing Policies	Not indicated.	Indicated for some, such as the rental policies, allocations policy.	Indicated.	Not indicated. Policy silent on such issues.

(Source: Table developed by author).

Having compared the policies of the various municipalities', several general observations can be made with regard to Polokwane Municipality's street vending policy. The section below provides a general assessment of the Polokwane Municipality policy when compared with the others:

- **Vision:** The Polokwane Municipality policy does not indicate its vision. Lack of vision for the policy is a serious concern. Without a proper vision indicating the desired state in so far as street vending is concerned, the municipality might not be able to gain focus and evaluate the impact of its interventions on a continuous basis.
- **Mission:** The policy does not show the policy's mission. It is critical to have the mission included as it will show the path that will be travelled. Lack thereof might lead to less focussed and effective programmes.
- **External stakeholders:** Informal trading is diverse, and it affects and is affected by multiple stakeholders. This range from various organs of state, traders, formal businesses, pedestrians, traders' associations and others. It is therefore important to include in a policy the role of the external stakeholders and how they will be engaged.
- **Focus:** The policy has a very narrow focus, dealing with only street vending to the exclusion of other informal trading activities. This could assist the municipality to have a clear focus, effectively addressing the issues. It could also pose challenges of integration and coordination.
- **Quantitative Analysis:** The policy does not provide a quantitative analysis of the street vendors. Lack of such baseline information is problematic in that a policy must indicate the extent of the problem it aims to address. Lack of such information might result in the development of programmes that are not wholly responsive to the needs of the sector and other affected role-players.
- **Related Policy:** The comparison indicated that several municipalities have, as part of their policies, included other related policies such as the allocation policy and rental policy. It is important to consider such in a policy to ensure an integrated approach.

7.10 CONCLUSION

Polokwane Municipality acknowledges that the informal business sector plays a very important role in economic development and poverty alleviation. The sector contributes meaningfully towards both social and economic development, leading to improvement in the quality of life of the majority of the people, particularly the poor and the marginalized.

The study conducted by the municipality has found that the structure of street trading in Polokwane has the same characteristics as other informal business sectors in many parts of the world. These characteristics are:

- The majority of the participants are women.
- The majority of the participants are in trade while very few businesses are found in the manufacturing sector.
- A greater percentage of the money used in the businesses comes from own funds or family as opposed to financial institutions.
- A greater portion of the money generated is used for household needs as opposed to being invested.

The study has also found that the municipality does not have a policy for the management of informal traders which is relevant to the current environment. Although the municipality is trying to put in place a mechanism for the management of the sector, the institutional model is not yet finalised. The fact that the issuing of permits is the responsibility of one SBU, while the hawker management programme is in the hands of LED SBU, is an issue for concern. It would be advantageous if the plan to integrate the hawker management function is finalised to ensure proper coordination. It is also important that there is clarity on the role of the various SBUs in the management of informal traders.

Inclusion of a sustainable livelihoods approach in the municipality's Integrated Development Plan is highly progressive. The amount of money budgeted for projects currently under implementation will improve the situation. The critical challenge would be the enforcement of the by-law once the various facilities have been completed and the municipality is in a better position to regulate trading.

CHAPTER EIGHT

RESEARCH METHODOLOGY

8.1 INTRODUCTION

The type of research methodology used in a study is dependent on the paradigm or theoretical model. In an event where the research focuses on understanding the respondents' view of reality or what their situation is, qualitative research methodology is normally used. These include methods such as ethnography, case studies, evaluation, policy research and others. Quantitative methodologies, on the other hand, are used when the paradigm is such that it is assumed that respondents will view the same events in more or less the same way (Birley & Moreland, 1998:30-32).

This research is a qualitative research as it studies the situation of street vendors in Polokwane with a view of understanding the reality that street vendors face on a daily basis. To this effect, qualitative research methodology in the form of a case study was used.

This chapter focuses on how the research was conducted. It outlines the road that was travelled during the research project in order to get to the desired state. The chapter outlines the methods and techniques used during the research project. It indicates the method that was used to select the sample. It further explains how data was collected and processed within the framework of the research process. In addition, the techniques used to analyse the data are discussed.

8.2 RESEARCH PROBLEM AND PURPOSE

According to Mouton (1996: viii) research can be compared to a travel journey, made up of at least four components namely a traveller, a destination, a route and the mode of travel. These components are the researcher, the goal, the object of inquiry and the methodology followed. A research is therefore based on the researcher identifying a problem and developing a mechanism to solve it.

Managing informal businesses, particularly street traders continue to be a serious challenge for local authorities, especially within urban areas. Besides making the cities “dirty”, street trading is causing conflict between local authorities and formal businesses. On the other hand, street trading is a livelihood for the majority of the poor people. This problem is compounded by different perceptions regarding the informal business sector in so far as its ability to contribute to economic development and poverty alleviation is concerned. These perceptions ultimately influence the approach adopted by local authorities when managing the informal trading sector. One school of thought argues that the sector contributes significantly to economic development, while another maintains that the participants are trapped in the sector, and would get out if there were other opportunities. It is therefore crucial that local authorities develop mechanisms to manage this sector effectively.

Informal trading continues to grow, creating management challenges for many municipalities. To effectively manage the sector, the municipality must develop implementable and relevant policies and by-laws. The purpose of the research project was therefore to develop benchmarks and guidelines that local authorities can use when they develop policies for managing informal trading. The research questions were designed in such a way that the responses would describe the state of street vending, how it manifests itself, its challenges as well as the sector’s potential to contribute to job creation and poverty alleviation. Such an understanding would then assist in the formulation of recommendations and proposals for policy development. This would be achieved by understanding and explaining causal relationships between the state of street vending in Polokwane Municipality and the management models used to address the challenges posed by this sector.

8.3 HYPOTHESIS

According to Gerring (2007:39) social science can be divided according to the goal of a given study, which is either to generate hypothesis or to test a hypothesis. This view is supported by Webb & Auriacombe (2006:591) when they maintain that the purpose of any social research can be to test and validate a theory or to generate new hypotheses. To this effect, the purpose of this study was to generate hypotheses and validate theories with regard to informal trading management using a case study method.

8.4 RESEARCH APPROACH

One of the main challenges for any researcher is the identification of research approach, methods and techniques that can be used in order to attain valid knowledge. Research methods refer to the means used by the researcher at a particular stage such as data collection. Research techniques on the other hand refer to the various tools such that are used to collect data while research theory focuses on the research paradigm (Webb & Auriacombe, 2006: 591).

Social research constitutes mainly two research paradigms, namely quantitative research designs and qualitative research designs. While quantitative research focuses on explanations, qualitative research focuses at in-depth description of phenomenon (Webb & Auriacombe, 2006: 591). This research project is a qualitative field research, and the case study method was used. The paradigm was selected because qualitative methods allow the researcher to study selected issues, cases or events in depth and detail. Qualitative methods therefore produce a lot of detailed data about a smaller number of people and cases, thereby providing depth and detail (Birley & Moreland, 1998: 127).

It is maintained that qualitative research is characterised by the following (Bryman, 1995: 61-6 cited in Webb & Auriacombe, 2006: 597):

- Commitments to view events, norms and values from the perspective of the research population.
- Researchers describe the social setting of the area being investigated so as to better understand subject's interpretation of events.
- Researcher follows a holistic approach by considering the context of the events and behaviours.
- Consideration of the relationship among events.

According to Webb & Auriacombe (2006: 598), in a qualitative approach, the methods and techniques used are normally ethnographic studies, grounded theory and case studies. As indicated earlier, the case study method was used in the research project. A case is described as a spatially delimited phenomenon that is observed at a single point in time, or over a period of time. A case study can therefore be defined as an intensive study of a single case with the aim of getting information on a larger population (Gerring, 2007: 19-20). In this instance, the unit of analysis in the case study was the street vendors within the Polokwane City CBD and the Mankweng CBD located in Polokwane Municipality.

The case study method was selected as it provides an opportunity to focus and get a better understanding of important issues affecting a phenomenon which could be easily overlooked in a superficial study such as a survey (Birley & Moreland, 1998: 36 and Gerring, 2007: 1). The other motivation for selecting the case study method was the fact that it allows for the inclusion of both qualitative and quantitative data as well as primary and secondary data sources (Auriacombe & Mouton, 2007: 446). This is because a case study aims to understand and describe a phenomenon holistically. In a case study method, the emphasis is on small-scale instances of phenomena (Birley & Moreland, 1998: 36).

As indicated earlier, the purpose of the research was to generate new hypotheses. The case study method was selected as it would allow the researcher to generate new hypothesis as argued by Gerring (2007: 41).

The relationship between a qualitative research and case study method is well expressed by Gerring (2007: 17) and Yin (1994 cited in Webb & Auriacombe, 2006: 599-600) who maintain that a case study research method normally means that:

- The research method is qualitative.
- Detailed data is collected using various data collection procedures.
- a phenomenon is investigated in its real-life context(naturalistic)
- The research is holistic and involves comprehensive examination of a phenomenon.
- A particular type of evidence is used (e.g ethnographic, clinical, non-survey based, field research, or historical).
- It uses various sources of evidence (triangulation).
- Properties of a single phenomenon or instance are investigated.
- The boundaries between a phenomenon and context are not clearly evident.

For the study, street vendors were investigated in their real-life context. Data collection was also done using various tools such as questionnaires as well as pictures. Although not a regularly used method, the pictures depict the real state of street vending and the challenges faced by both the traders, formal businesses and the municipality.

The limitation with the case study method, though, is that the researcher might not be able to develop scientific theory or provide generality of findings due to the usage of a small sample. Despite this criticism, researchers still use the method with success when studying real-life situations, issues and problems. The results in a case study can still reflect the existing theoretical perceptions and reality regarding organisations and their operations (Gerring, 2007: 36 and Webb & Auriacombe, 2006:600.)

8.5 SAMPLING

8.5.1 Population and Sampling

In research, the term population refers to a collection of objects, events or individuals having some common characteristics that the researcher is interested in studying (Brynard & Hanekom, 1997: 134). In the research project, the population was the street vendors within Polokwane Municipality.

From the population, some elements would be selected with the intention of finding out something about the total population from which they are taken. Key issues in this regards are the sample frame, sample size and the method of selection (Berends & Zotolla in Lapan & Quatrolli, 2009: 88). According to Brynard & Hanekom (1997: 135) this selection of elements is referred to as the sampling process. Babbie (1998: 192) defines sampling as the process of selecting observations. While a population refers to an entire collection of scores or individuals that are being investigated, a sample, on the other hand, refers to only a part of the population under investigation (Govender, 2003: 209). Accordingly, Gerring (2007: 21) maintains that a sample is constituted by various cases that would be subjected to formal analysis. Simply put, population sampling refers to taking some part of population to represent the whole population. Sampling is therefore an important factor in any survey project as it would affect the research findings (Alreck & Settle, 1985: 63 and Castillo, 2009).

Birley & Moreland, (1998: 44) maintain that samples are used in an instance where the researcher cannot cover the entire population. This is because it is normally impossible to test the whole population due to the costs, time and personnel requirements (Castillo, 2009). Due to these challenges, a fraction of the population is used to represent the whole and provide some accuracy to base decisions on the results (Alreck & Settle, 1985: 63). Taking this into consideration, the ultimate purpose of sampling should be to select a set of elements in such a way that a description of those elements is an accurate representative of the entire population (Babbie, 1998: 202). It is therefore critical for a researcher to ensure that the sample is

selected properly and is large enough to meet requirements for validity and reliability (Alreck & Settle 1985: 63).

The focus of the study was the street traders within Polokwane Municipality. It was however, impossible to test the entire population (being the street vendors) during the study. As a result, only a part of the street traders operating within Polokwane City CBD and Mankweng CBD were studied. It is believed that the fraction that was selected would provide an accurate representative of the entire street trading population.

8.5.2 Sampling Frame

According to (Berends & Zotolla in Lapan & Quatrolli, 2009: 88), sampling frame is a term that is used to identify the group that is selected for participation in the survey. This sampling frame can be classified in several ways such as:

- Selecting units of analysis from a list of individuals in the population.
- Selecting a sample from a group that participates in a specific activity.
- Sampling in multiple stages, wherein individuals are selected from a list, beginning with large cluster and at each stage reducing the participants.

There exists no list of all the street vendors within Polokwane municipality, as no census of street vendors was conducted. As a result, the sampling frame was just from a group of street vendors. The sampling frame was based on the geographical area of the street vendors. Sample was taken from the Polokwane City CBD (urban) and Mankweng CBD (peri-urban) in order to ensure that different characteristics of the population are included in the study.

8.5.3 Sample Size

Berends & Zotolla (in Lapan & Quatrolli, 2009: 89) maintain that that sample size is mostly relevant in research project where the sampling technique is probability or random sampling. During the research, a non-probability sampling technique was used, and the sample was small compared to the number of existing street vendors. As

this was case study, although the sample was small, it was however large enough to provide meaningful data. This is in line with what Gerring (2007: 21) maintains, who indicates that in a case study, the sample is normally small consisting of a few cases that are extensively analysed. This view is supported by Birley and Moreland(1998: 44) who maintain that the sample should be large enough to provide meaningful data, without necessarily being too time consuming and invidious. This is also because analysing data takes time.

The survey sites were the CBDs of Polokwane City and Mankweng Township. These two areas have the highest occurrence of hawking activities. A total of one-hundred and one (101) respondents were used to collect the data. Although the policy recommendations would be applicable to the entire municipality, it is held that the findings in respect of the two areas would significantly be a representative of the situation as it pertains in other areas not covered by the study. It is further assumed that any recommendations thereof would be applicable for the entire municipal area.

8.5.4 Sampling techniques

There are basically two sampling method used in research, namely probability sampling and non-probability sampling. Probability sampling technique involves the selection of a “random” sample from a list containing the names of everyone in the population while non-probability technique is often used in situations where one can’t select the kinds of probability samples used in large-scale social surveys (Babbie, 1998: 194).

According to Castillo (2009), the main distinguishing factor between the two sampling methods is that in probability sampling, each member of the population has an equal chance of being selected, while this does not apply in non-probability sampling. The table below indicates the various techniques used in each sampling method as provided by various authors:

Table 8-1: Sampling techniques.

Sampling method	Techniques	Description
Probability Sampling	Random Sampling	This could be in the form of a simple method such as drawing names from a hat.
	Systematic Sampling	Is a very simple and easy method where the researcher picks the first subject followed by each n th subject from the list
	Stratified Sampling	The population is divided into several groups based on issues such as age, gender or socioeconomic status.
	Cluster Sampling	Population is clustered according to geographical area or any other factor with the assumption that the sample will be a representative of the population.
Non-probability sampling	Convenience Sampling	Samples randomly selected due to their accessibility to the researcher.
	Consecutive sampling	All subjects accessible to the researcher are included in the sample.
	Quota Sampling	A quota is used to ensure equal or proportionate presentation of subjects.
	Judgemental Sampling	Researcher chooses subjects that he feels are more fit and appropriate compared to others
	Snowball Sampling	Normally used where there is a small population. Researcher asks

Sampling method	Techniques	Description
		the initial subject to assist to identify other subjects.

(Source: Berends & Zotolla in Lapan & Quatrolli (eds) 2009: 89-91; Birley & Moreland, 1998: 44 and Castillo, 2009).

For the purpose of the study the research population was all the street vendors within the jurisdiction of Polokwane Municipality. Since it was not possible to include all the street vendors for the study, a sample was selected using non-probability sampling method. According to Auriacombe & Mouton (2007: 448), non-probability sampling methods are used in qualitative field research due to several reasons as outlined hereunder (Singleton & Straits, 2004:312 cited in Auriacombe & Mouton, 2007:448):

- Delicate operations associated with the fieldwork that includes location of suitable observation sites and the need to make fruitful contact.
- The method offers convenience and accessibility that enables the researcher to determine where to begin with observations.
- Time requirements for observations leads to a small number of cases to be sampled.

This argument is further supported by Castillo (2009) who maintains that non-probability sampling can be used under the following circumstances:

- To demonstrate that a particular trait exists in the population.
- If the researcher aims to conduct a qualitative, exploratory or pilot study.
- When the population is large, and it is impossible to do random sampling.
- In instances when the researchers budget, time and workforce are limited.

Given the fact that this was a qualitative study, and the population of street vendors is large, the non-probability method was used to select the sample. There has not been a census of all the street vendors within Polokwane Municipality and as such it was difficult to use other sampling techniques (such as random sampling, stratified sampling or systematic sampling) that would require the availability of a record of

street vendors. This method was also selected due to the limited budget and workforce available to the researcher.

As indicated in Table 8. 1 above, there are various techniques that can be used when the non-probability sampling method is used to sample the population. For this research project, convenience sampling technique was used. The samples were selected due to their accessibility to the researcher which made it easier to recruit them to participate in the study. As Castillo (2009) maintains, this sampling technique was basically selected because it is inexpensive and the subjects were readily available. It should however be mentioned that although this technique was the most appropriate given the nature of the population to be studied, its weakness is that not all subjects had an equal chance of being selected as would be the case in random sampling (probability sampling). The other criticism normally levelled against convenience sampling is that it may be bias and the sample might not be representative of the entire population and thereby resulting in low external validity.

Given the fact that the aim of the study was to get basic data and trends on issues affecting street vendors, the findings of the study would still provide information regarding the operational issues affecting street vendors. This method was combined with the cluster sampling method (clustering by geographical area) to mitigate the shortcomings associated with convenience sampling. To this effect, the sample was selected from the Polokwane City CBD and the Mankweng CBD. By choosing sampling in totally different areas, that are approximately 30km apart, the objective was to ensure that basic issues and trends affecting street vendors in both urban and peri-urban areas are well covered.

8.6 RESEARCH TECHNIQUES

8.6.1 Data Collection

Data collection is a process of creating new data in addition to collecting existing data (Birley and Moreland; 1998: 44). Mouton (1996: 67) points out that data collection involves applying the measuring instruments to the sample or cases selected for the investigation. This implies that once the sample has been selected for the research

population, certain instruments would then be used to collect the necessary data. On the other hand, the type of research will determine the choice of such data collecting instruments. In the study, new data was created through information from the street vendors. Existing data was also collected by reviewing literature from the municipality's documents and other general documents.

According to Mouton (1996: 146), the objective of data collection is to produce reliable data. This means that such data is consistent over time and place. It is on this basis that it is important for the researcher to use appropriate data collection instruments that will enable him/her to produce reliable and valid data.

Data collection techniques can be grouped into two broad categories, namely quantitative techniques and qualitative techniques (Neuman, 1997: 30 cited in Govender, 2003: 210). Brynard & Hanekom (1997: 29-30) note that quantitative methodology uses experiments and surveys to describe and explain phenomenon. Qualitative methodology on the other hand produces descriptive data, which is generally people's own written or spoken word. For example, in the research, most of the questions dealing with the relationship between the municipality and the informal traders (as per Part C of the questionnaire attached as Annexure A) provided descriptive data. Govender (2003: 210) provides a clear summation when he points that quantitative techniques provide data in the nature of numbers while qualitative techniques provide data in the nature of pictures or words. This notion is further supported by Quartaroli (in Lapan & Quartaroli, 2009: 260) who maintain that qualitative data is normally collected in the form of words, pictures and artefacts, which are rich sources of information. For the study, both quantitative and qualitative methodologies were used. For example, when assessing the extent of street vending in Polokwane, pictures were taken in areas where street trading is prevalent. These pictures provide a clear picture of the challenges facing both the municipality and the informal traders. The questionnaire on the other hand, provided both qualitative and quantitative data.

There are various data collection methods that a researcher can use. This includes review/scrutiny of the relevant literature, questionnaires, interviews, observation,

written works, dialogue records and many more (Birley & Moreland, 1998: 40 and Brynard & Hanekom, 1997: 30). Birley & Moreland (1998: 41) maintain that any method(s) used to collect data must produce data that is relevant to the research questions. It should also be convenient and easy to use. Summarily, data collection should be informed by the following principles (Birley and Moreland (1998: 41-44) :

- Validity: the instruments used to collect data should ensure that data sets collected are relevant to the research. For example, if a questionnaire is used, then the research questions must assist in providing responses that answer research questions.
- Reliability: this principle maintains that the instrument should have the ability to produce consistent results if applied more than once to the same people under standard conditions.
- Ease of use: data collecting instruments must be easy to administer.

Mouton (1996: 144) identifies the following factors that can affect the reliability of data:

- The researchers, experimenters, interviewers or observers.
- The individuals or subjects who participate in the research project.
- The measuring instruments such as questionnaires, scales, tests, interviewing schedules.
- The research context or the circumstances under which the research is conducted.

Of the listed data collection methods, the most commonly used techniques are questionnaires and interviews (Birley & Moreland, 1998: 45). Lapan & Armfield (in Lapan & Quatrolli (eds) 2009: 177) identify several characteristics of case studies with regard to data collection that apply to this research project namely:

- Mixed data collection methods: case studies use several methods of data collection, where both qualitative words and quantitative numbers are used. This could include usage of interviews, questionnaires and lesson plan analysis to collect data.
- Purposeful (purposive) sampling: in this instance data is collected from people and documents in order to get answers to the research questions.

This research process used a combination of questionnaires, interviews and written work to collate data. The section provides in detail how the data was collected:

8.6.1.1 Literature Review

Literature review is a key aspect of any research project. Literature review involves and can assist the researcher in several ways as indicated hereunder (Birley & Moreland, 1998: 80):

- Assists to clarify and frame research question as the researcher finds out what has been done (or not done) prior to the research.
- Assist in the selection of the research approach and methodology.
- Information used as reference when the research findings as discussed.

Birley & Moreland (1998: 85) argue that an important aspect of any research depends on the extent to which it is related to existing research and to theoretical perspective produced by other authors. It is therefore critical for a researcher to be familiar with the relevant research work of others. This view is supported by Brynard & Hanekom (1997: 30) who maintain that successful research depends on a well-planned and thorough review of the available, relevant literature. As De Wet *et al* (1981: 39-41 cited in Brynard & Hanekom, 1997: 31) point out, literature is reviewed for the following reasons:

- To obtain perspective on the most recent research finding related to the topic of the research.
- To obtain indication on methods, instruments of measurement and statistics that can be use.
- To improve interpretation of one's own research results.
- To help determine the actuality of research on a particular topic.

Remenyi *et al* (1998: 65 cited in Govender 2003: 208) note that in order to review literature adequately it is essential that the researcher examines the published work critically. This is due to the fact that not all that is published should be taken as it appears but might have to be verified.

To this end, during the research literature focusing on public administration, public policy, informal business management, legislation and various reports were scrutinized. In brief, books, government publications and media reports were surveyed to establish facts and also to understand the informal business sector and legislative provisions as far as this sector is concerned. In respect of public administration, the literature was reviewed to understand how various principles of Public Administration would affect the municipality's ability to manage street trading activities effectively. Furthermore, since policy making and implementation is one of the critical functions of public administrators, it was critical to understand the relationship between public policy and public administration as it would form the basis for the recommendations.

Street trading is one of the activities within the broader informal economy. Literature on the informal economy was reviewed in order to understand the dynamics of the sector. Such an understanding is critical for ensuring that the policy for managing the street traders is relevant and effective.

International case studies on how the street traders are managed were analysed with a view of assessing the approach adopted towards the management of the sector and the impact thereof. This was followed by an analysis of the policies on the management of informal traders adopted by various metropolitan municipalities in South Africa. The intention was to identify the key issues in such policies as well as trends. Legislation and policy directives regarding the sector, especially post apartheid policies were also analysed.

Furthermore, the policy process was also analysed to better understand the various aspects in a policy process, such as policy hierarchies, factors affecting policy and the policy cycle. In summary, the cornerstone of the literature review focussed on the following (Birley & Moreland, 1998: 80):

- Exploration: probing literature in terms of own research interests. The literature review aimed to provide comprehensive and relevant information on informal business sector and informal trading.

- Analysis: Dissecting and scrutinising the information. This approach was mainly used in the case studies of various South African municipalities' informal trading policies. The various policies were compared, noting the strong and weak features of each policy. These were looked in relation to the broader informal economy concept.
- Discussion: Comparisons and contrasts of information was provided.
- Criticisms: Identification of strengths and deficiencies in the various metropolitan municipality's informal trading policies.
- Summary: Drawing together different strands into a coherent whole lessons. This was done by providing lessons from case studies and the implications thereof.

8.6.1.2 Questionnaire

In a questionnaire, the researcher compiles a list of questions that respondents must provide answers and information to.

Despite its popularity, there are several disadvantages and advantages related to questionnaires as outlined hereunder:

Table 8-2: Advantages and Disadvantages of questionnaires.

Advantages	Disadvantages
<ul style="list-style-type: none"> • They are convenient and cost-effective compared to interviews. • Offer respondents time to think about their responses. • Questionnaires are easy to analyse without the use of complex computer software packages. • Most people are familiar with questionnaires. • Questionnaires reduce biasness as they ask standard questions. • It enables the researcher to reach a large number of respondents over a large geographical area. 	<ul style="list-style-type: none"> • There is a possibility of low response rate. • They limit the ability to probe responses and offer little flexibility due to structured questions. • May not be suitable to other members of the population such as the less educated. • Can be completed by other people other than the one they were intended for. • Poor questions may result in low response rates, unreliable or invalid data.

(Source: Brynard & Hanekom, 1997: 38-39; Fox & Bayat, 2007: 88 and O'Sullivan & Rassel, 1999: 230 cited in Govender, 2003: 211).

To deal with some of the disadvantages highlighted in Table 8. 2 above the following measures were implemented:

- Street vendors were helped by field workers to complete the questionnaire. This enabled even the less educated participants to participate in the study. This also ensured that only the views of the relevant and targeted people were captured.
- As questionnaires were completed on the spot, the issue of low response rate was highly minimised.

There are basically two categories of questions used in a questionnaire, namely open or unstructured questions and closed (structured or multiple-choice) questions (Fox & Bayat, 2007: 91). During the research project, questionnaires consisting of open-ended and close-ended questions were developed and administered to the participants. The questionnaire is attached hereto as Annexure A. The questions asked were aimed at gathering data that would present a description of the phenomenon or experience from the perspective of the participants.

In the case of open-ended questions, respondents were requested to provide their own answers to the questions.

In close-ended questions, the respondents were asked to select an answer from among the list of provided answers. Most of the questions were closed-ended as those provide a greater uniformity of responses and are easier to process. While close-ended questions are normally the most preferred, their shortcoming, however, lies in the researcher's restructuring of responses (Babbie, 1998: 148).

Once collected, the data were analysed and inferences made in relation to:

- Socio-economic status of the respondents (gender, age, educational level and ownership structure).
- Structure of the sector with specific reference to various activities they are engaged in.
- Constraints towards further development.
- Prioritisation of intervention required from the municipality.

8.6.1.3 Interviews

To obtain additional and sensitive information, unstructured interviews were also conducted with various sellers to obtain additional data. These were minimally used with the street vendors. The targeted group was vendors with large stock. The purpose of the interview was to get additional information on the ownership of the “business”. These informal interviews were conducted in areas outside the delimited study area, in the Polokwane City along Market Street (between Jorissen and Grobler Streets). The interviews allowed the researcher to probe deeper on specific issues. Although the responses provided might not be a representative of the population, it however brought to the attention the linkage between the informal businesses and the formal businesses.

It should be highlighted that the responses were not recorded and are not part of the final analysis. The responses did however confirm most of the issues raised in the literature such as where formal businesses use people with trading permits to sell their stock.

Interviews were also held with officials of the municipality to gather information about the programme and projects being implemented by the municipality as a way of managing the informal traders.

8.7 DATA ANALYSIS

According to Birley and Moreland (1998: 58), the real essence of a research process is the data collection and analysis stages. It is important to note that the findings emanating from samples can be used to make inferences into probabilities, as opposed to possibilities. Data collection produces new information or data about the world that requires further processing. According to Mouton (1996: 67), data processing involves at least two kinds of operations, namely data reduction, during which the quantitative and qualitative data are summarised, and data analysis. Skeran (2000: 307 cited in Govender, 2003: 218) provides that the objectives in data analysis are to

get the feel for data, test the goodness of data and also to test the hypotheses developed for the research.

Birley & Moreland (1998: 58-60) identify three aspects of data analysis, namely coding, presentation and analysis of the data. *Coding* refers to a process whereby data is structured in a form that can be easily analysed. *Presentation* deals with the manner in which the data is presented that is clear and concise. This includes, for instance the presentation of statistical data in the form of tables, graphs or pie charts. In *analysis*, the data can be segregated into broader themes and outcomes related to the research questions, literature, survey outcomes as well as theories/models that had been projected (1998: 60). During the research project, the following data analysis techniques were used:

8.7.1 Data coding

There are several types of quantitative data used in research as indicated hereunder (Berends & Zotolla in Lapan & Quatrolli, 2009: 111-112 and Birley & Moreland, 1998: 62-63). It is also important to note that during the study, the questions were designed in a way that different type of quantitative data would be obtained in order to indicate the characteristics of the participants. This would be critical when policy recommendations are provided.

Nominal Data

Also referred to as categorical data, this scale of measurement generates nominal data on factors such as gender, marital status or school attended. There is no notion of quality is intended. During the study, some questions asked under Part B of the questionnaire were aimed at obtaining nominal data. Data such indicating the participants' gender as well as education level was obtained in order to determine the linkage and trend between participants and gender or participation and level of education.

Quantity Data

This type of data measures an amount such as family size, age, monthly income, and others. This type of data assists in determining the socio-economic status of the participants. Some of the questions during the study obtained this type of data. For example, participants had to indicate their age in order to determine the most prevalent age group. This type of information is critical in order to determine the most appropriate intervention mechanisms. Information on the income would indicate the relationship between poverty and participation in the sector.

Ordinal Data

In this instance data is ranked. Normally respondents place preferences in rank order or use Likert scale (such as strongly agree, agree or disagree). Some questions used in the study (mainly in Parts C and D of the questionnaire) requested the participants to rank, for example, the relationship between the street vendors and the municipality or the importance of being organised.

Ratio and non-ratio Data

Ratio data is directly related to and compared with baseline value such as height. Non-ratio provides ration value.

As highlighted earlier, during the research project, the questions asked covered the various aspects of quantitative data as indicated above. For example, certain questions aimed to gather nominal data (such as gender), while questions relating to the relationship between the municipality and the informal traders gathered ordinal data. Questions relating to age of business, number of employees or products sold provided quantitative data. The intention was to get different variables so as to identify relationships between certain factors such as the relationship between street vending and being a woman.

Questions that were used to collect quantitative data were coded so as to determine quantities during the analysis phase for purposes of developing inferences. With

regard to qualitative data, the approach was different. According to Birley & Moreland (1998: 61), qualitative data is difficult to code. Responses to questions (open-ended questions) that required qualitative responses were not provided any code. Instead, the responses were analysed and inferences made from the responses.

8.7.2 Analysing Data

Birley and Moreland (1998: 61) maintain that researchers can draw conclusions from quantitative data in two ways. Firstly, data can be presented in the form of pie charts, tables or graphs in order to describe a situation. This is referred to as descriptive statistics. The second method involves inferential statistics. In this instance a researcher would infer something about the population based on the sample findings. During the analysis, the descriptive statistics method was mainly used and data presented in the form of tables, charts and graphs.

The research was a qualitative research, and as such qualitative data analysis techniques were used. The data were gathered in the form of pictures, words (descriptions) and quantitative data focusing on items such as socio-economic information, location, trade activities, reasons for choice of location, number of jobs created and description of the relationship with the municipality.

Although not a familiar method of collecting data, usage of pictures provided a clearer picture on the state of informal trading within the municipality.

In analyzing the data, three approaches were used namely interpretational, structural and reflective analysis:

Interpretational analysis

In terms of the *interpretational analysis*, the data were analysed to construct, and determine patterns that can be used to describe and explain street vending. Such patterns would assist in understanding the situation better and making propositions for policy development.

Reflective Analysis

The *reflective analysis* on the other hand was mainly used in providing intuition and judgment related to the state of the sector and the municipality's role, based on the responses obtained from the respondents.

Structural Analysis

Through the *structural analysis*, the data was analysed to search for patterns inherent in discourse and other phenomenon, in certain instances with little or no inferences made to the meaning of the patterns.

8.8 CONCLUSION

The choice of a research method is determined by the type of research and the research problem to be addressed. This chapter provided an indication on the research methodology used. It made reflections on the research questions and other pertinent issues related to methodological approaches.

To gather the relevant data, literature, pictures and questionnaires with both structured and unstructured questions were used. The questionnaire was designed in such a way that it would assist with gathering information that would assist when developing the policy framework. The pictures, on the other hand, provide a pictorial view of the state of street vending in Polokwane. The next chapter focuses on the findings of the survey.

CHAPTER 9

PRESENTATION AND ANALYSIS

9.1 INTRODUCTION

The research project is a qualitative research case study. During the data collection phase, both quantitative and qualitative data were collected. Quantitative data were analysed using descriptive statistics by looking at frequency distributions and distribution patterns. Qualitative data collected in the form of pictures and words were interpreted, analysed and presented in a way that would assist in answering the research questions.

This chapter analyses and interprets the data gathered from the questionnaires. The findings are presented in the form of tables, graphs and descriptions.

9.2 ANALYSIS OF THE FINDINGS

From the information gathered during the data collection process, the following emerged:

9.2.1 Business Operations

This section of the questionnaire focused on the operations of the business and the following findings emerged from the responses:

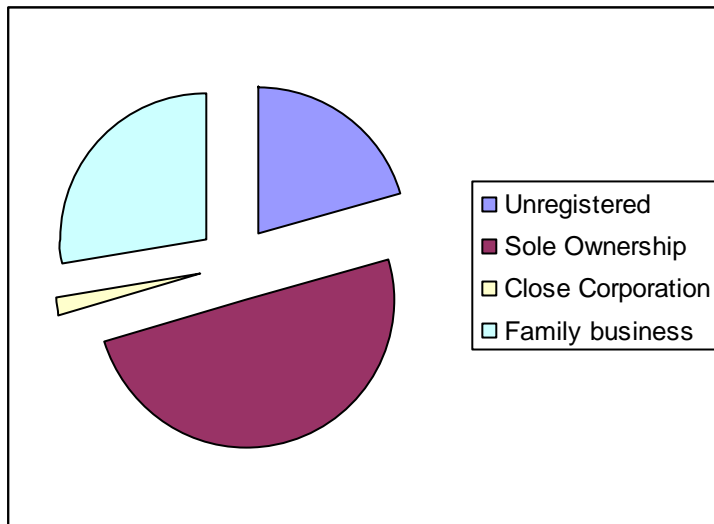
9.2.1.1 Legal status of business

The study sought to establish the legal as well as the ownership status of the businesses. This is because various studies have indicated that most street traders are operating informally, with their businesses not registered. The following responses were registered:

Table 9-1: Legal and ownership status of businesses

LEGAL AND OWNERSHIP STATUS	FREQUENCY	PERCENTAGE
Unregistered	21	20.8
Sole Ownership	50	49.5
Close Corporation	2	2.0
Family business	28	27.7
TOTAL	101	100

Figure 9-1: Legal and ownership status of businesses



As can be seen from the graph above, only 2 percent of the respondents had their businesses formally registered. The implication is that since most businesses are not formally registered, they might not be operated according to sound business

principles, thereby limiting their potential to grow into sustainable business enterprises.

Another significant feature in the responses is that 28 percent of the businesses that are family-owned. Studies have shown that most of the businesses in the informal economy are family-run, which has also been observed during the study. The most worrying factor in the case of street traders is the extent to which this may be entrenched in the families to an extent that younger members of the family do not look for opportunities in the other sectors, but are instead trapped in this sector, where incomes are normally very low and conditions not supportive to growth.

21 percent indicated that their businesses are not registered. This means that should any opportunity arise for any organ of state to require their services, they would not be in good standing to take up such an opportunity. For example, traders in the catering field would not be able to offer any catering services to government. This is because organs of state can only do business with legal entities.

9.2.1.2 Age analysis of businesses

The study found that generally, most of the businesses have not been in operation for a long time. Of the 101 respondents, only 34 indicated that they have been in operating as street vendors for more than five years. The majority of the businesses were relatively new, with 18.8 percent operating for 1 year while 29.7 percent had been operating for 1 to 3 years. 17.8 percent of the businesses had been in operation for at least five years.

Table 9-2: Age analysis of businesses

BUSINESS AGE	FREQUENCY	PERCENTAGE
Less than 1 year	19	18.8
1 to 3 years	30	29.7
4 to 5 years	18	17.8
6 to 7 years	10	9.9
8 to 9 years	6	5.9
More than 10 years	18	17.8
TOTAL	101	100

Figure 9-2: Age analysis of businesses

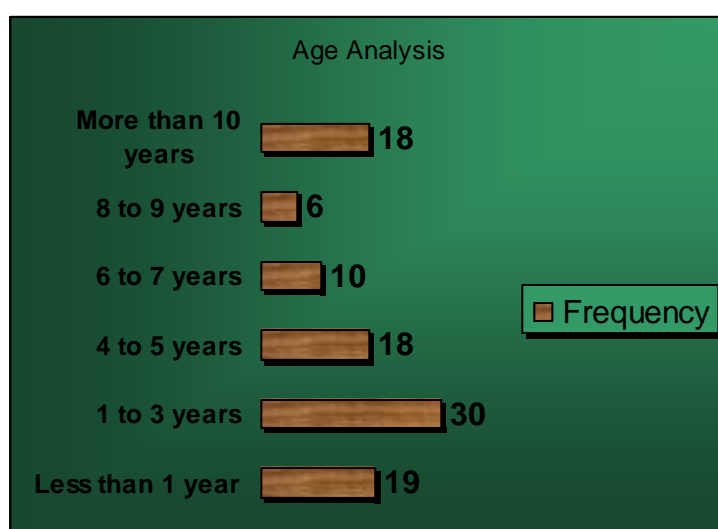


Table 9.2 and Figure 9.2 paint a picture of the duration of businesses. The fact that up to 48.5 percent of the businesses have been operating for up to 3 years has important implications:

- Since 82,2 percent had shown that they had not changed their location, it is unlikely that the short duration can be equated to change in location. Rather, this could mean that street vending is to a significant number of the vendors, a transition stage to something more permanent. For policy purposes, this implies that in developing a policy for managing street vendors, the

municipality should take into account the fact that not all participants are permanent traders.

- Most street traders use the sector as a temporary phase, and would join other informal business sectors or the formal sector should an opportunity arise. This could be due to the low income levels normally found in the informal economy.
- Support mechanisms should enable the traders to transform their businesses from being survivalist to sustainable enterprises.

9.2.1.3 Job creation

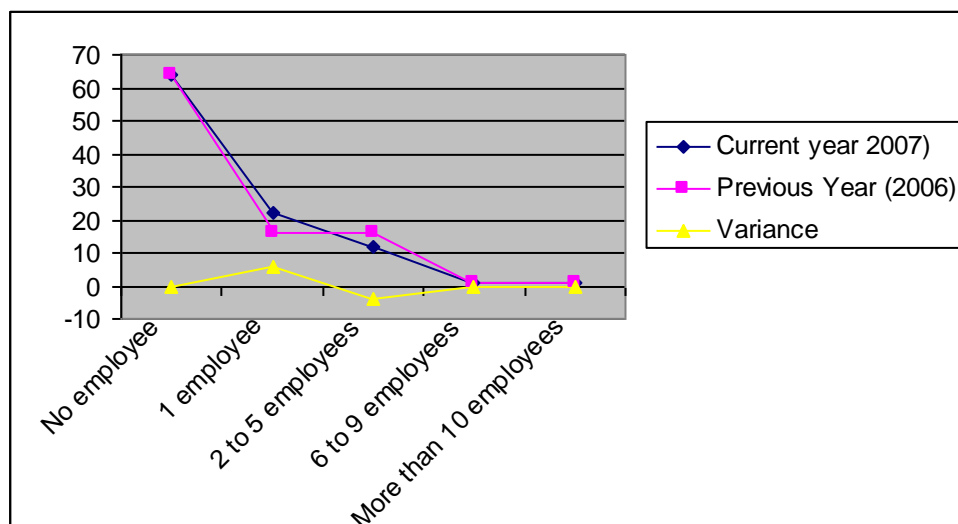
One of the objectives of the study was to determine the ability of the sector to create jobs and thereby contribute towards poverty alleviation and increasing income levels. Of the 101 businesses surveyed, 63,4 percent had no employees, while 21,8 percent had only one employee.

Comparing the number of employees in the previous years with the current financial year, the survey revealed that the number of businesses with more than three employees declined while the number of businesses with no employees remained the same, as shown in Table 9.2 below. The decline means that some businesses might have laid-off employees. The other implication is that the job creation capacity of the informal trading sector is extremely limited. This trend can be linked to the findings of the LFS as indicated in the previous chapters, where the surveys noted a decline in the number of jobs in the South African informal economy between September 2005 and March 2007 (Stats SA, Labour Force Surveys September 2005 & March 2007). Most of the businesses are operated by the owner only, and the activities and income are such that there is no room for additional employees.

Table 9-3: Comparison of number of employees for 2006 and 2007.

NUMBER OF EMPLOYEES	CURRENT YEAR (2007)	PREVIOUS YEAR (2006)	VARIANCE
No employee	64	64	0
1 employee	22	16	+6
2 to 5 employees	12	16	-4
6 to 9 employees	1	1	0
More than 10 employees	1	1	0

Figure 9-3: Comparison of employment statistics for 2006 and 2007



The table and graph above indicate the low job creation capacity of street trading. This could be linked to the type of businesses in which the street traders are involved. As indicated earlier, an insignificant number of street traders are in the manufacturing industry, which has better job creating capabilities. On the contrary, more than 50

percent is involved trade, which has poor job creating capacity. This could be the reason for the decline in employment creation.

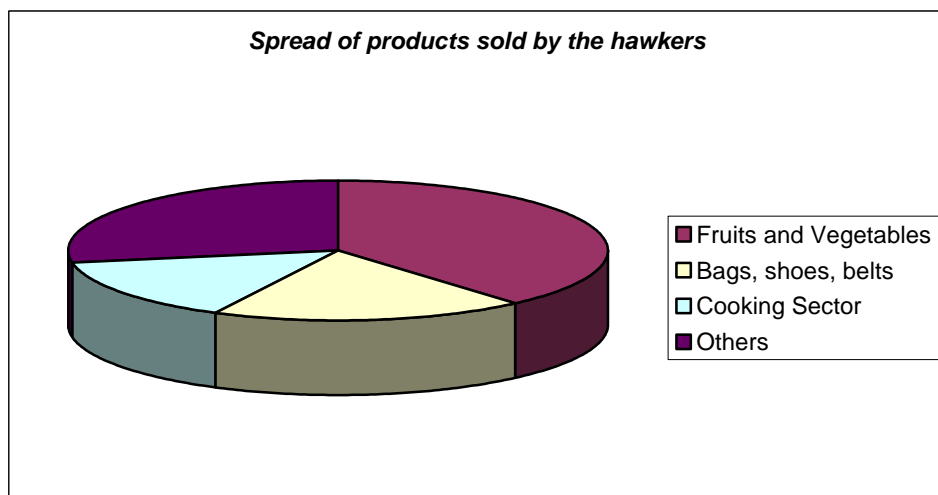
9.2.1.4 SERVICE/PRODUCTS SOLD BY THE TRADERS

The study found that a greater percentage of the businesses are in the food sector. Of the businesses surveyed, 38, 6 percent sell fruit and vegetables followed by 18, 8 percent who sell items such as bags, shoes and belts. The cooking sector is growing at a fast rate, currently at 14, 9 percent, as indicated by the table and chart below:

Table 9-4: Dominant services/products sold by the traders

PRODUCT/SERVICE RENDERED BY BUSINESS	FREQUENCY	PERCENTAGE
Cooking	15	14.9
Fruit and vegetables	39	38.6
Bags, hats and related products	19	18.8
Telephone	13	12.9
Other	13	12.9
N/A	2	2.0
Total	101	100

Figure 9-4: Dominant services/products sold by the hawkers



What is of concern is the fact that there were no businesses in the manufacturing sector from the identified survey sites. Although this could be linked to the type of geographical areas surveyed, generally very few informal businesses are engaged with manufacturing as evidenced by the findings of the Labour Force Surveys of September 2005, March 2007 and June 2010 (Stats SA). What this implies is that the informal sector as it exists is just an extension of the formal sector, in that the street traders buy and sell products from the formal sector. It is therefore important for the municipality to develop a strategy that would facilitate the establishment of micro enterprises in the manufacturing sector as this will provide a good platform for skills development, and job and wealth creation. The role of the municipality in this regard would be to create a conducive environment for the development of cooperatives. Considering the contribution of the manufacturing industry to the GGP, as well as the ability of the sector to create jobs, it becomes important to encourage development of micro businesses in the informal economy.

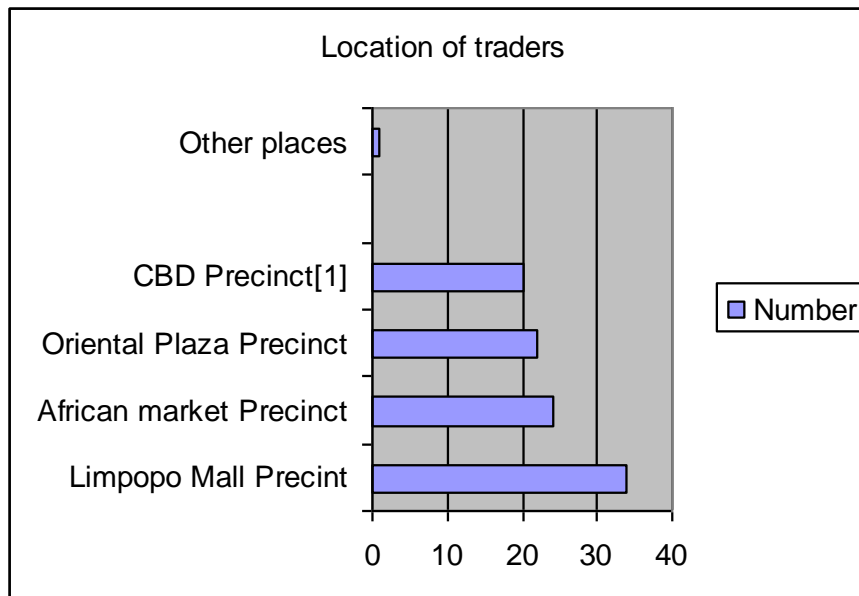
9.2.1.5 Location of street traders

Studies have indicated that informal trading is mainly prevalent closer to public institutions, commercial nodes and public transport facilities. The current study aims to understand how this factor manifests itself within the study area, as this would have implications for spatial planning. Of the businesses studied, the study found that 79,3 percent are located in areas close to the public transport facilities. Thirty-three percent is located within the Limpopo Mall precinct that is close to the biggest taxi rank in the city. Twenty-three percent is located within the African Market precinct, which is also close to the Church Street taxi rank, while 21,8 percent of the traders are located at the Oriental Plaza Precinct, which is close to several short distance taxi ranks and the Polokwane Bus Terminus. The table and graph below provides a better picture of this scenario:

Table 9-5: Location of traders

LOCATION	FREQUENCY	PERCENTAGE
Limpopo Mall Precinct	34	33.7
African Market Precinct	24	23.8
Oriental Plaza Precinct	22	21.8
CBD Precinct ¹⁴	20	19.8
Other places	1	1.0
Total	101	100

Figure 9-5: Location of street traders



Asked why they chose these locations, the traders provided various reasons, such as:

- Many customers in a busy street.
- Place identified by the municipality.
- Given by someone who used to operate from the location.
- Just wanted to be next to my sister.
- I was forced here.
- Permit only allows me to sell here.

¹⁴ Although both the Limpopo Mall and African Market are within the city's CBD, for the purposes of this study, the CBD precinct refers to the area between Grobler and Jorissen Streets.

Generally, the study found out that most street vendors prefer areas close to commercial centres and public transport facilities. This implies that if the municipality wants to provide facilities or delineate certain areas for street vending, the issue of proximity to public transport facilities and businesses that sell higher order goods and food stores should be considered.

It is obvious that people buy from street vendors when they do their shopping from other bigger stores. This is the reason one finds street vendors located next to big stores, particularly those that sell food, as was evident during the 2004 survey conducted by the municipality for the African Market project.

Another big customer base for street vendors is shoppers on their way to catch public transport. This implies that from a spatial planning point of view, delineation of street vending sites should take this into consideration and ensure linkage with public transport facilities and other bigger stores.

This further indicates that the municipality should not move street traders away from the areas where there are many pedestrians to the outskirts of the city. Traders will always locate themselves in areas with high pedestrian traffic. It is important that the municipality takes note of this fact. Furthermore, the fact that the traders do not change their locations frequently shows that they are to a certain extent satisfied with the income generated or that these are the best places for their operations.

9.2.1.6 Changing of trading locations

Several questions were asked to determine the traders' mobility trends. The participants were also asked if they had ever changed their trading locations and how the new location compared with the previous locations¹⁵. The aim of the question was to identify the mobility trends of the traders as well as to determine preferences in choosing location.

¹⁵ This question was more relevant to the traders who had changed their location. Although all the traders were asked this question, the answer to this question would enable the researcher to identify the mobility trends of the traders.

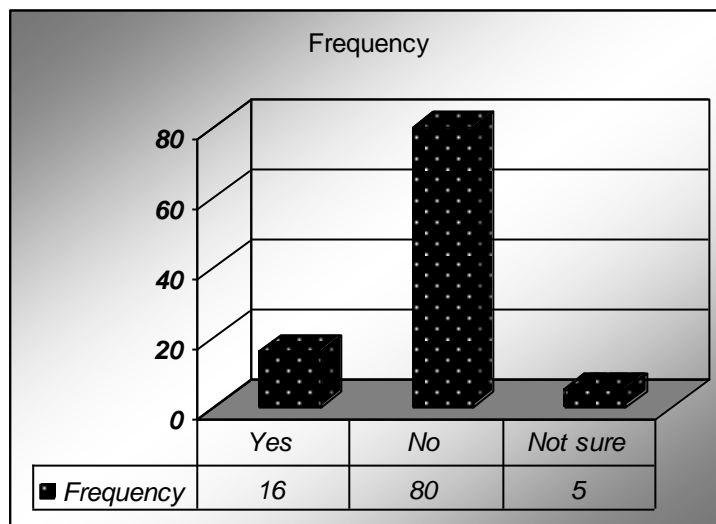
Of the 101 respondents, eighty-three of the respondents (82.2%) indicated that they had not changed their locations since they started trading. Of the traders who had changed their locations, 15,9 percent indicated that their new location was better. The reasons provided were that there were more customers in their new locations. Only 2 percent said that the new location is worse. Overall, only 17,9 percent had changed their location at some point. The table below provides a picture of the mobility trends of the traders.

With regard to the possibility of changing locations, the participants responded as follows:

Table 9-6: Possibility of changing locations

POSSIBILITY OF CHANGING LOCATION	FREQUENCY	PERCENTAGE
Yes	16	15.8
No	80	79.2
Not sure	5	5
Total	101	100

Figure 9-6: Possibility of changing locations



It is clear from the table above that most of the traders are comfortable with trading at their present locations. It is therefore important for the municipality to find ways to

accommodate the traders in their current locations. Should the municipality decide to move and provide trading facilities at a different location, this might be met with resistance. The municipality might be faced with a situation where the trader's facilities become white elephants while the traders continue to trade in appalling conditions. A good example of this type of scenario is the challenge faced by the eThekweni Metropolitan Municipality with the Warwick Junction Development that would badly affect the traders. The fact that the new development would displace informal traders means that there would be much resistance from various sectors.

9.2.1.7 Reasons for changing locations

Respondents were also asked to provide the reasons for the decision to change or not change the location. Those who said they had considered changing the location based their decision on the following reasons:

- High competition among street vendors where they operated.
- Few customers.
- Operating from somebody's stand (not owning the "trading place").
- It is very busy.
- Space is not enough.

Those who answered that they had not considered changing the location provided the following reasons:

- All locations are already occupied.
- I like it here.
- Many customers.
- Already used to the location and have a loyal client base.
- The place is secure and safe.
- It is nearer home.
- Municipality only allows this place.

9.2.2 Socio-economic Profile

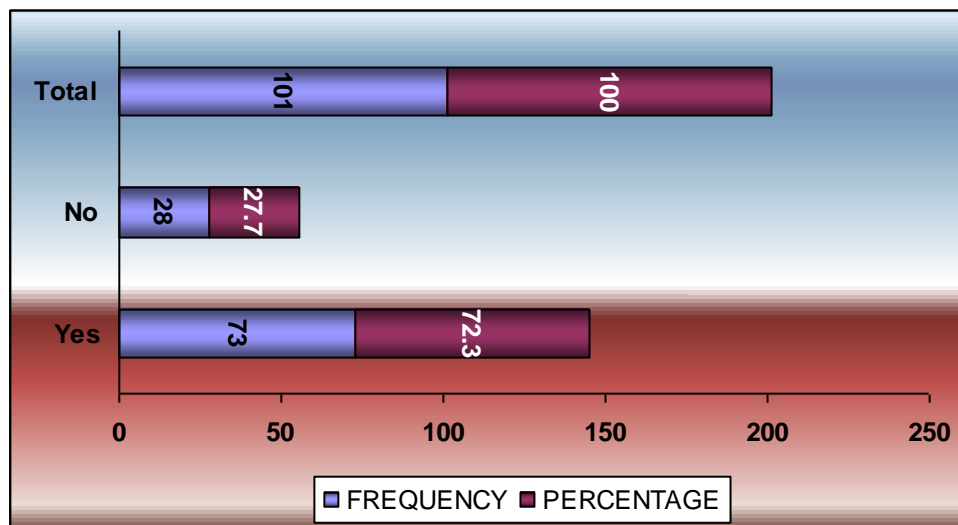
This section of the questionnaire aimed at assessing the socio-economic profile of the participants, and the following picture emerged:

9.2.2.1 Ownership

Table 9-7: Ownership status of the participants

OWNERSHIP	FREQUENCY	PERCENTAGE
Yes	73	72.3
No	28	27.7
Total	101	100

Figure 9-7: Ownership status of the participants



As can be seen from the table above, the majority of the businesses are operated by the owners (72.3%). This figure tallies well with the fact that most of the businesses indicated in the earlier question¹⁶ that they are either family businesses or solely owned by an individual.

¹⁶ Refer to 9.2.1 where 49.5% indicated that the businesses are under sole ownership while 27.7% of the businesses are family businesses.

9.2.2.2 Age analysis

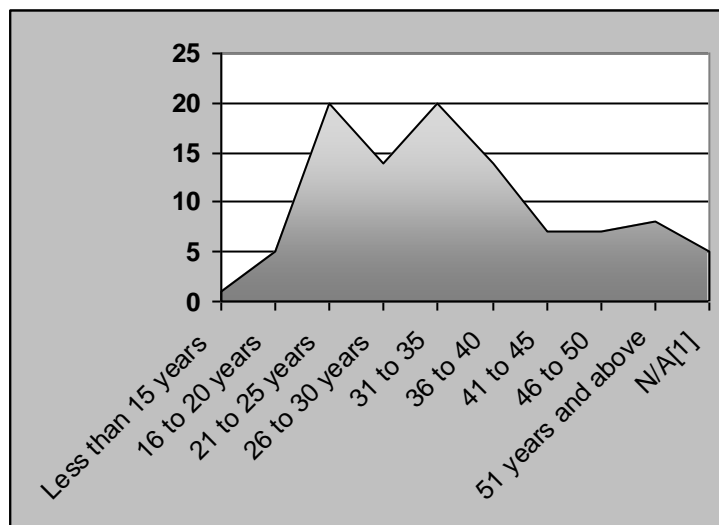
68.4 percent of the respondents were between 21 and 40 years old, with the highest concentration in the age group 21-25 years and 31-35 years, each at 19,8 percent as can be seen from the graph below:

Table 9-8: Traders age analysis

AGE GROUP	FREQUENCY	PERCENTAGE
Less than 15 years	1	1.0
16 to 20 years	5	5.0
21 to 25 years	20	19.8
26 to 30 years	14	13.9
31 to 35	20	19.8
36 to 40	14	13.9
41 to 45	7	6.9
46 to 50	7	6.9
51 years and above	8	7.9
N/A ¹⁷	5	5
Total	101	100

¹⁷ Respondents did not record their ages.

Figure 9-8: Age analysis of the street traders



The majority of participants can be classified as the economically active population¹⁸. The big question is whether these are voluntary participants or involuntary participants. In instances where the majority is in involuntary informal employment, it is anticipated that should there be opportunities in the formal economy, they would leave and join the formal economy. It is therefore important for the municipality to fully analyse and understand the reasons for participation in the informal economy. This would assist in ensuring that the interventions are relevant and responsive to the needs of the participants.

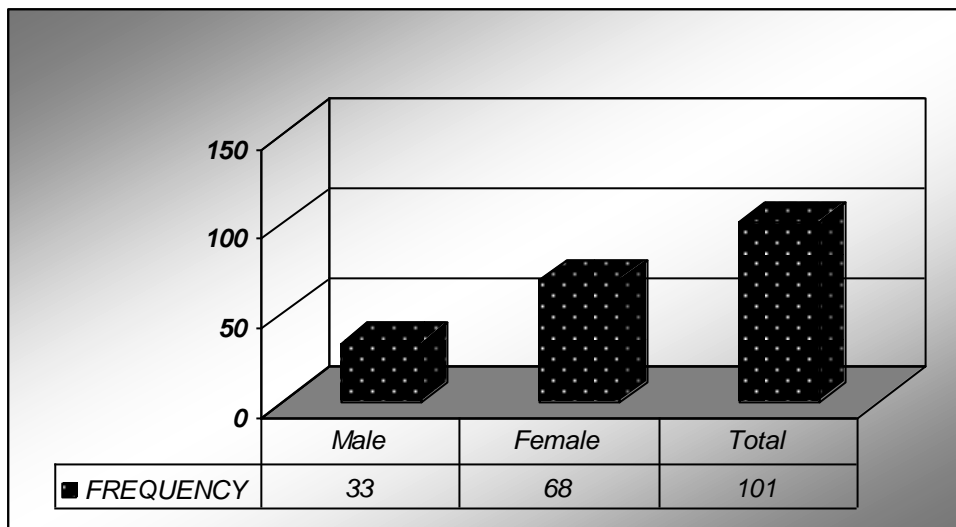
9.2.2.3 Gender analysis

Table 9-9: Gender of participants

GENDER	FREQUENCY	PERCENTAGE
Male	33	32.7
Female	68	67.3
Total	101	100

¹⁸ The economically active population includes all persons between the ages of 15 and 65 years who are working or unemployed, but excludes those who are not available for work.

Figure 9-9: Gender analysis of the participants



The majority of the participants (67,3 percent) are women, while only 32,7 percent are men. This figure tallies well with both international and national trends, where the majority of participants in the informal sector are women. This means that the majority of the participants have dependants to fend for. Any policy that the municipality develops for managing the informal business sector should therefore be gender sensitive.

9.2.2.4 Educational level

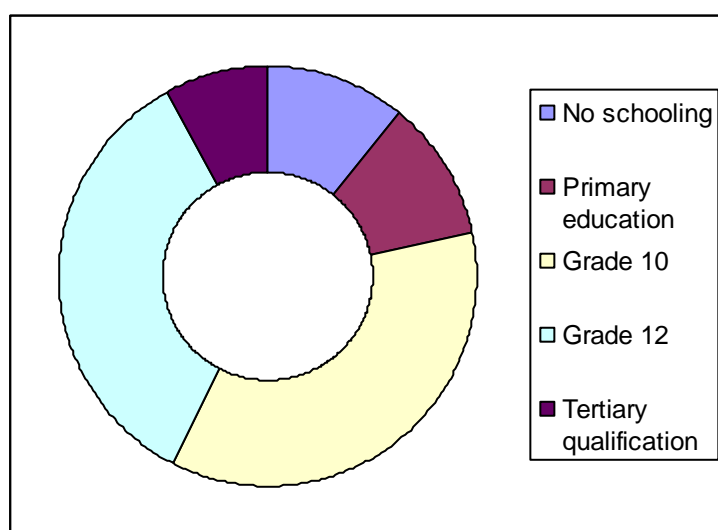
Contrary to the regular perception that the people in the informal sector have little or no low education, it emerged that 34.7 percent had attained Grade 12; 7.9 percent have tertiary qualifications, while 35.6 percent (the largest group) are people with Grade 10. This implies that the traders have the necessary basic education that could enable them to run the businesses successfully. This further indicates that should opportunities for further development arise, a significant number of the traders would be able to take advantage of them.

The table and graph below provide a summary of the participants' educational levels as recorded during the survey:

Table 9-10: Participant's educational level

EDUCATIONAL LEVEL	FREQUENCY	PERCENTAGE
No schooling	11	10.9
Primary education	11	10.9
Grade 10	36	35.6
Grade 12	35	34.7
Tertiary qualification	8	7.9

Figure 9-10: Educational levels of participants



9.2.2.5 Skill availability

Various skills were recorded, such as baking, building and construction, peanut butter and atchar manufacturing, as well as catering and cell-phone repair. It is equally interesting to note that there is no correlation between skills possessed and the current dominant sectors. Most people are involved with buying and selling, while they possess manufacturing skills such as agro-processing, construction, and others. This

could mean that their participation in the informal business sector is due to lack of opportunities to use the skills that they have acquired. This further means that in developing a programme for assistance to the sectors, such skills should be taken into consideration and used as a basis for further development.

9.2.3 Relationship with the municipality

Like any other business, street vendors are also affected by the operations of the municipality. It was highlighted in the previous chapters that most street vendors around the world suffer harassment from public officials. This section of the questionnaire wanted to establish the state of the relationship between the street traders and the municipality.

9.2.3.1 Relationship with municipality

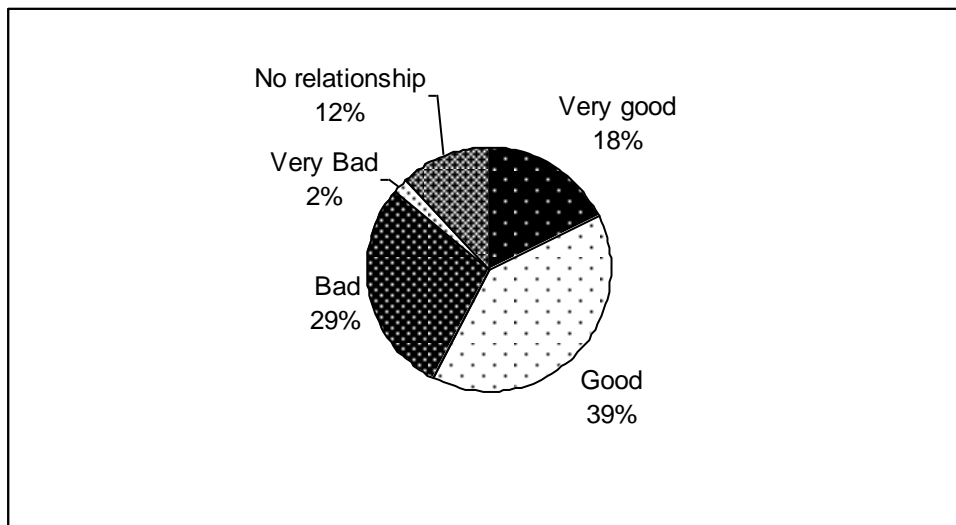
Respondents were asked to rank their relationship with the municipality and the responses are highlighted hereunder:

Table 9-11: Relationship with the municipality

RELATIONSHIP	FREQUENCY	PERCENTAGE
Very good	18	17.8
Good	40	39.6
Bad	29	28.7
Very Bad	2	2
No relationship	12	11.9
Total	101	100

The chart below represents how the majority of the hawkers describe/view their relationship with the municipality:

Figure 9-11: Relationship with the municipality



On the whole, the relationship with the municipality is good at 57,4 percent (for both good and very good). The fact that there is a positive relationship between the municipality and the traders is a good basis for the success of intervention mechanisms. Those that ranked the relationship as being good provided the following reasons:

- They provide facilities and clean them.
- Affordable permit fees.
- Good communication.

For those who find the relationship bad, very bad or no relationship at all, the following reasons were provided:

- Lack of proper facilities.
- Demolition of property.
- Favouritism (where others are allowed to operate without permits).
- High permit fees.

Looking at the responses to the question, it is clear that street traders would want the municipality to (i) provide and maintain facilities that they use; (ii) charge affordable

permits; (iii) issue trading permits in a fair and transparent manner and maintain good communication with the traders.

These issues basically reflect the interventions that the municipality should consider in order to support the sector. If these issues are addressed, it will be easy for the municipality to implement measures for regulating the activities of the sector.

9.2.3.2 Benefits of operating within Polokwane Municipality

The respondents were asked to identify both the benefits and disadvantages of being located within Polokwane Municipality. The question was aimed at assessing what the municipality is doing right and what it is doing wrong that affects the street traders. The answers to the question would allow the municipality to identify intervention mechanisms that would enable it to manage the sector efficiently and effectively. The following answers were given as advantages of being located within the municipality:

Table 9-12: Advantages of being located within Polokwane Municipality

ADVANTAGE	FREQUENCY
Low crime rate/place is safe.	19
Many customers.	26
They clean for us.	18
Provision of water and toilets.	9
Provision of water and toilets.	2
Total	74

9.2.3.3 Disadvantages of being located in Polokwane Municipality

The following were identified as disadvantages of being located within the municipality:

- High competition (as a result of more people being attracted to the trading area due to economic opportunities).
- Pollution.
- Not enough space.
- Lack of security.
- High permit prices.
- Unnecessary fines and repossession of property in case of defaults in permit fees.
- Lack of buildings to operate from.

The responses to the question still emphasise the need for provision and maintenance of supporting infrastructure. Another aspect, which is important and yet often ignored, is the issue of safety. For example, with Polokwane being the capital city, it attracts many people, including bad “elements”. The issue of safety therefore plays an important role in the performance and ultimately the success of the traders. The safer their properties, the more they can focus on their businesses. In this way they will be able to generate more income.

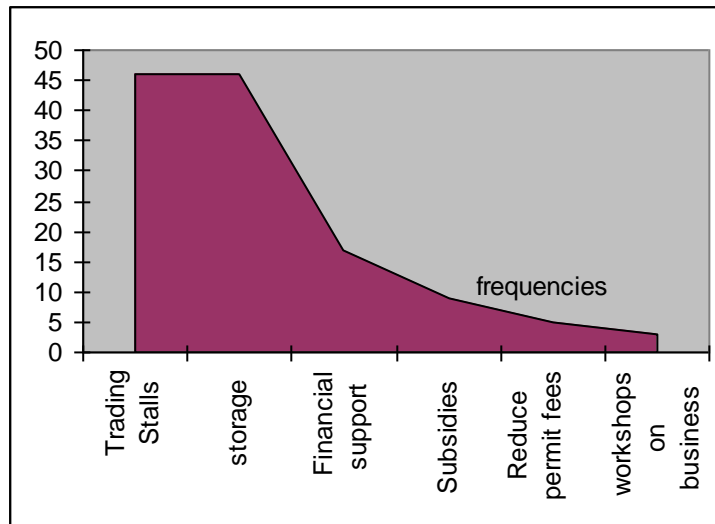
9.2.3.4 Support from the municipality

Respondents were asked to identify the activities that in their opinion are the function of the municipality, but which the municipality is not doing, When responding to this question, fifty-four percent of the respondents felt that the municipality was doing very little to assist their businesses. Asked what they felt the municipality should do to assist, the following responses were forwarded:

- Provide space for our business (46 %).
- Provide houses to store our products (46 %).
- Financial support (17 %).
- Subsidies (9 %).
- Reduce permit fees (5 %).
- Conduct workshops on business skills (3 %).

The graph below represents the responses:

Figure 9-12: Support required from the municipality



9.2.3.5 Priority interventions

Like other business owners, the street traders have some expectations from the municipality. The respondents were asked to rank their priorities. The aim was to identify the support interventions that the street vendors value as important to their growth and sustenance. The participants identified the following areas of support:

- Build a proper market.
- Provide storage places.
- Financial support.
- Subsidise our business.
- Business training.
- Clean our place.

The highest need is for the provision of market stalls and storage facilities to keep goods, particularly overnight. Some traders are forced to sleep next to their areas of trade, as they are unable to transport their goods home daily. For these traders, hiring vans would be unaffordable on a daily basis. The availability of proper stalls and

secure storage facilities will assist in crime reduction. It will further enable the municipality to control trading as there would be clearly demarcated areas for trading.

It is also interesting to note that the issue of training/skills development is mentioned. Although not highly ranked, it is encouraging that traders mention that proper trading skills will assist them in doing their business more effectively.

9.2.3.6 Demarcation of trading areas

The participants were asked about their feeling on the municipality prohibiting them from operating from certain areas. Mixed responses were recorded in this regard. Some traders felt that it was good for the municipality to control where they trade as this would enable the municipality to control trading activities. Other participants felt that this was bad in that it limited their trading space. This indicates the impasse that could be faced by the municipality.

9.2.4 Organisation of street traders

Research has shown that majority of the street vendors are not organised. This poor organisation is an obstacle for them to fully participate and influence the decision-making processes of government. One of the objectives of the study was also to determine the extent to which the street traders are organised. This is mainly because once organised, it would also be easier for them to leverage resources and procure in bulk, which would help reduce their costs significantly. The study aimed to find out the situation with regard to the street vendors in Polokwane and the following responses were recorded:

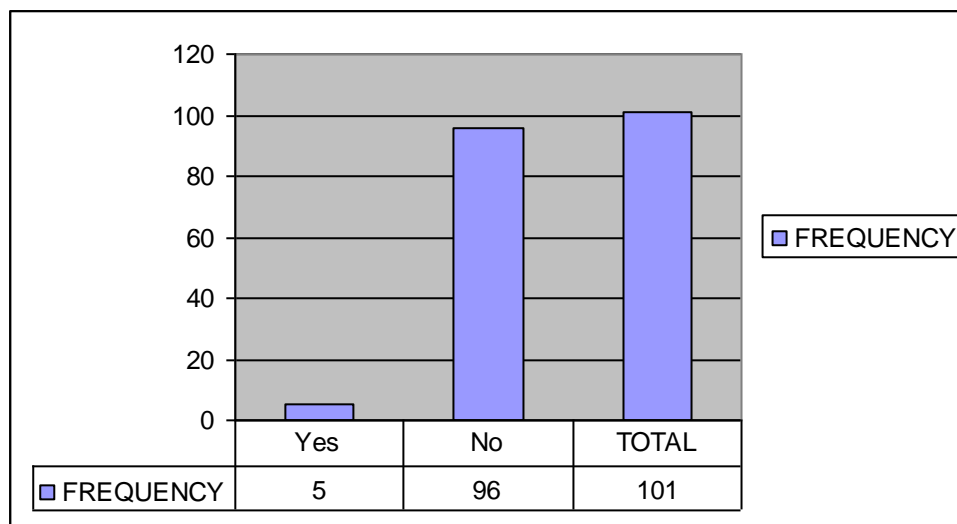
9.2.4.1 Organisation

Participants were asked if they belong to any association. Of the responses received, 95 percent of the hawkers indicated that they did not belong to any association, and therefore cannot speak in one powerful voice. Only 5 percent indicated that they belonged to a traders' association.

Table 9-13: Organisation of traders

MEMBERSHIP	FREQUENCY	PERCENTAGE
Yes	5	5
No	96	95
TOTAL	101	100

Figure 9-13: Organisation of traders



9.2.4.2 The importance of belonging to a trader's association

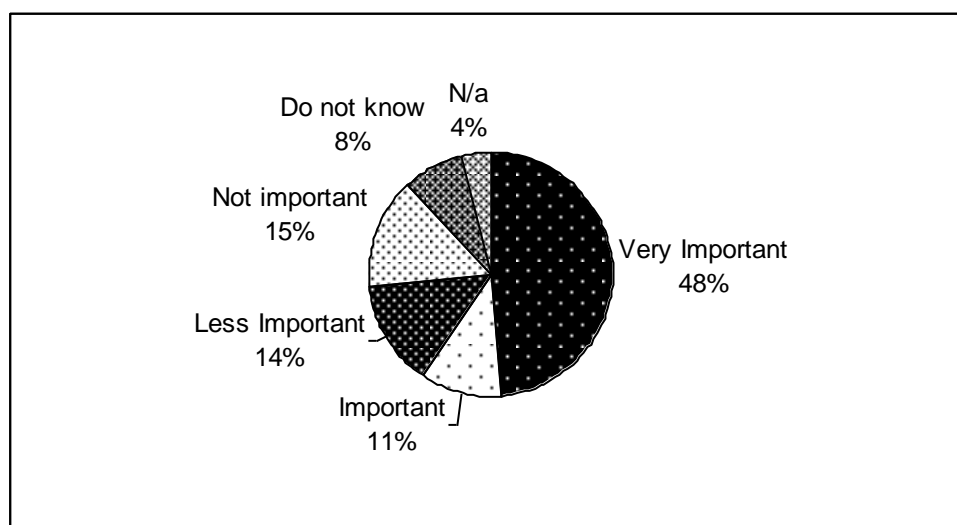
The traders were asked to rank the importance of belonging to an association and the following responses were recorded:

Table 9-14: The importance of being organised

RANK	FREQUENCY	PERCENTAGE
Very Important	49	48.9
Important	11	10.9
Less Important	14	13.9

Not important	15	14.9
Do not know	8	7.9
N/A	4	4.0
Total	101	100

Figure 9.14: Importance of organisation as perceived by the street vendors



The responses above indicate that the majority of the street traders view organisation as important. A majority of 59,4 percent¹⁹ responded that it was important to be organised as opposed to 28,8 per²⁰cent who felt that it was not important. It is quite interesting to note that though the majority of the traders feel that it is important to be organised, they are not. It is therefore important that the municipality analyse this further in order to identify if there are any obstacles to organizing themselves.

The municipality will have to play an important role in assisting the sector to get organised. Not only will such an organization help the traders, it will also assist the municipality to have a clear channel of communication with the sector.

¹⁹ This figure includes the responses that indicated that it is very important (48.9%) and the 10.9% that responded that it is important to be organised.

²⁰ Responses for less important (13.9%) and not important (14.9%) were added to arrive at this figure.

9.2.4.3 Role of the municipality in getting the sector organized

The participants were asked to identify things that the municipality should do to assist the street traders to be organised. The participants identified the following roles:

- Build proper market places.
- Financial support.
- Business information and advice.
- Control prices to remain the same.
- Offer security.

The responses as recorded indicate that to a certain extent, the traders do not have sufficient information on being organised. Instead, focus is placed more on the support mechanisms for their daily operations. This means that the municipality should at least consider running an advocacy programme on the issue of organisation. This further begins to question the effectiveness of organisations such as SEWA, StreetNet and others in reaching out to their constituency.

9.2.4.4 Support to the traders association

For any association to succeed, it would depend largely on the cooperation and support from the municipality. When asked what support the municipality should offer to the traders' association, the participants responded as follows:

- Regular supervision.
- Check permits regularly.
- Security.
- Co-operate with organization.
- Financial support to the organization.
- Audit organizational books.
- Subsidise the organization.

9.3 CONCLUSION

The responses by the participants brought to light very important information that should inform any policy initiative to manage street traders within the municipality. The fact that the majority of the participants are women implies that the initiatives should be gender sensitive, addressing the plight of women. It should further take into account that the majority of the traders have dependants, and therefore focus should be on assisting them to increase the income levels so as to be able to provide for their dependants.

The participants possess certain skills, which unfortunately are not being used. However, there are few or no sectors involved in manufacturing. It is therefore important that the municipality designs a short to long-term plan of ensuring that the skills are utilised. One way would be through assisting the traders to form cooperatives and incubating the cooperatives until they are self-sustaining. The literacy level also provides a good basis for skills development.

Generally, the data analysis revealed that the state of the street vendors in Polokwane Municipality does not differ much from other countries and municipalities, as evidenced during the case study analysis in the previous chapter. The study found that the majority of traders seem not to understand much about being organized, joining an organisation and its value. This poses a challenge to the municipality and other structures involved in the sector to engage in robust advocacy programmes to enlighten the traders about organizing and the importance thereof.

The next chapter will focus on the main conclusions emanating from the study as well as provide recommendations.

CHAPTER 10

GENERAL CONCLUSIONS AND RECOMMENDATIONS

10.1 INTRODUCTION

The importance of the informal sector, particularly street vending, in both social and economic development, cannot be overemphasised. For the traders, the resources raised in these activities are used to pay for services, sending children to school and putting food on the table. The success of this sector, however, depends on how it is managed by local authorities.

This chapter summarises the research findings and provides recommendations for developing a proper policy that could assist the municipality to effectively manage street vending. It brings to the fore the findings and conclusions reached with respect to the problem investigated.

10.2 CONCLUSIONS

The literature surveyed as well as the empirical data collected have indicated that each economy has two sides, being the informal economy and the formal economy. These are like two sides of the coin, and are integrally linked. The main difference though is that while the formal economy is well regulated and protected through various policies and legislation, the informal economy is neither regulated nor protected. Although economic policies focus mainly on the formal economy, the informal economy continues to grow in various forms and at various places. This is against the belief that the informal business sector is just a temporary phase that would disappear with economic growth. This implies that when developing economic development policies and strategies, the policies must take into account both economies. This applies not only to municipalities, but to the other spheres of government as well.

More importantly, when developing their LED strategies, municipal policies should not deal with the informal economy as a side issue, but as an important part of the economy.

Despite the acknowledgement of the importance of the informal sector, it should also be made clear that the formal economy remains the backbone of the economy. An analysis of the Labour Force Surveys in South Africa from 2005 to 2010 indicated that the formal economy contributed more than 65 percent of the employment. This analysis revealed that in fact, employment in the informal economy has not been increasing as was expected. This raises two issues. Firstly, it questions the assertion that the informal economy absorbs the people who cannot be absorbed by the formal economy. While this is partly true, there is also a question about the quality of the jobs available in the informal economy. This is the reason for the emphasis on a “decent work agenda” worldwide. Secondly, the fact that the informal sector has lost some jobs indicates that just like the formal economy, it is also affected by economic factors. As a result, the informal economy should not be looked on as a solution to the problems of the formal economy. Instead, it should be viewed as complementary (and not a substitute) to the formal economy. The approach to the development of the informal economy should be to develop a sector of the economy that would provide complementary and supplementary goods and services to the formal economy. Policies and strategies must be able to locate the informal economy within the value chain of the economy.

The literature review has indicated that the informal sector was thought to be temporary, as opposed to being a permanent feature of economies. It is therefore not surprising that instead of supporting the sector, some countries (for example in Europe), have been looking at ways and means to eradicate the sector. In addition, the fact that some states still view some informal activities like street trading as illegal, means that they also subtly believe that the informal sector is temporary. One can conclude that such governments think that by making the informal business activities illegal, such activities would disappear. That is why the informal economy is called by so many names that are not very “encouraging” such as the underground economy,

twilight economy, illegal economy, unorganized sector and so on. The fact that this sector exists in all countries, whether developed or undeveloped, thereby refuting the marginality thesis, indicates its permanence and significance. This means that national or local economic policies should acknowledge and include the informal economy as a critical and permanent component of the economy. This, however, requires a change of attitude by policy-makers and implementers with regard to the informal economy.

This study brings to the fore the importance of having the sector regulated. As indicated earlier, the formal economy is regulated and in a way protected. If there is consensus that the informal economy is a component of the economy, then it too has to be regulated. Authorities need to adopt innovative ways of regulating the operations of the sector in a way that protects and benefits the enterprises, workers and the authorities. The fact that some of the businesses choose not to register means that there are gaps in the current systems. What is clear is that the current system or regulation would result in “wholesale formalization” meaning that there will not be any informal economy. This seems to be the problem. The approach that should be taken should be the one that would offer protection and regulation to enterprises and workers, while also ensuring that current characteristics of the informal sector such as ease of entry, minimal capital requirements, low skill requirements and minimal regulations to comply with, are not lost. The approach should not introduce the red tape that is currently being experienced in the formal economy with regard to registration or even accessing incentives or support.

Two concepts have emanated from the study, namely, voluntary informal employment and involuntary informal employment. These concepts mean that people join the informal economy for many reasons, some by choice, others because they have no option but to join or perish. This means two things. Firstly, it dispels the notion that the informal sector is just a survival strategy, and that you cannot address economic poverty when participating in the sector. Secondly, with regard to involuntary informal employment, it implies that there are those who are trapped in the sector and would exit it if an opportunity availed itself. This means that strategies and policies to manage the sector must have a two-pronged approach, of supporting

the survivalist enterprises to be sustainable, while also supporting (potential) productive enterprises to grow. It also indicates the need to have a linkage between economic development and social development policies, where on a social front, the participants have access to basic services in their communities so that the earnings from their economic activities can be used to access secondary services.

This study aimed to assess issues that should be considered when developing a policy to manage the informal sector, particularly street vendors. Any policy towards managing the informal business sector should acknowledge that the sector, of which street vending is one area, has an important role to play in the social and economic development of communities. Management of the sector should therefore not be equated to regulation only, but should balance regulation and support. Successful management depends on effective regulation and proper support. This implies that as the local authority adopts mechanisms to regulate the activities of the sector, it should also develop plans and put aside resources on how it will support the sector as a mechanism for accelerating job creation and improving the well-being of the majority of the participants.

The literature surveyed has indicated that the informal sector has potential to promote both the social and economic status of the people. It has also indicated that this sector is a permanent feature of our economies, not a transition as was initially believed. The fact that it is a permanent part of the economy means that it has to be approached differently, unlike the *status quo*. For example, focus was placed initially more on regulation, as the sector was seen as being temporary and a nuisance. As a result of this approach, in most local authorities, the management of the sector was in departments responsible for traffic control or community protection services (like metro police). However, the case studies explored, both national and international, have indicated that where proper support mechanisms were implemented, the sector flourished, thereby contributing to local economies. This has further brought to the fore the fact that proper management is a function of balanced support and regulation. For example, by providing proper trading facilities, the eThekweni Metropolitan Municipality has been able to regulate the sector. An analysis of the various metropolitan municipalities also indicated a shift, where policies have been developed

not to destroy the informal business economy, but instead to support the sector as another component of the local economy.

Another interesting conclusion is that discussions should focus on the informal economy instead of the informal business sector. What this implies is that in advancing measures to support the local economy, emphasis should not only be on the informal business enterprises but also on the informal employment relations. Initiatives and programmes should assist those informally employed to enjoy protection in their workplaces just like people in formal employment.

The focus of the study was street vendors, as the most visible sector of the informal economy. What has become clear is that very few street vendors are involved in manufacturing. When analysing the type of products sold by street vendors in Polokwane Municipality, it was found out that the majority trade in food and related products. This trend is in line with the findings of the LFSs where most informal employment is created in wholesale and retail trade, as opposed to manufacturing, possibly because it is easy to simply buy and sell instead of manufacturing or beneficiating anything. What this means is that the majority are involved with low-value activities and probably generating low incomes. So if the aim of promoting the informal economy is to create sustainable jobs and improve the quality of life of the participants, the approach should be different. Instead of focusing on street vendors that appear a nuisance when not managed, municipalities must focus on the entire informal economy, where even home-based workers and others are part of the overall development strategy. The eThekweni Municipality policy is a good example of the approach that should be taken.

The study looked at the challenges for managing informal businesses, with particular reference to street vendors. The fact that the informal economy is a growing part of the local and national economies means that many urban areas are experiencing an increase in the number of participants in this sector. An analysis of the policies of the various municipalities, as well as studies undertaken by the Polokwane Municipality, identified similar challenges experienced in relation to informal trading. These include:

- Unhygienic conditions due to lack of appropriate infrastructure.
- Lack of public ablution facilities in most trading areas.
- Trading areas are not well demarcated, which gives illegal traders and traders of illegal goods opportunities to operate unnoticed.
- Bigger operators who should actually be in the formal sector are employing informal traders with individual permits in their own names.
- Building materials used for the cooking shelters are highly flammable, as are many of the ingredients, such as cooking oil.
- Transgressions of the health and safety regulations and contravention of the Abattoirs Act by traders preparing food.

Looking at the research problem within the public administration context, which is the management of street vendors, it is evident that this management should be viewed in relation to:

- Accountability to other affected stakeholders.
- Effective use of resources.
- Transforming the current state in an endeavour to promote development.
- Ensuring social equity.

Despite the lapse in time since the last surveys conducted by Polokwane Municipality and the time of this study, most factors have not changed. The highest percentage of the respondents indicated that they chose their location on a busy street because of the likelihood of their business attracting many customers.

The street vendors noted the following as priorities for their development:

- Provision and maintenance of the appropriate supporting infrastructure with storage facilities.
- Affordable permit fees.
- Safety and security.
- Skills development.
- Implementation of a fair permit system.
- Financial assistance.

What the study found was that the vendors expect the municipality to provide the necessary infrastructure for them and maintain such facilities.

Considering the evidence gathered during the study, the following hypotheses are submitted:

- Effective management of street vendors is a product of proper support and regulation. This could be expressed mathematically as follows: Effective management = Support + Regulation.
- A function cannot be effectively rendered and managed without a proper policy in place.

Taking into account the findings of the study, a number of recommendations can be made. The recommendations provided in this section are divided into two categories. The first category (Category A) focuses on general policy-related recommendations. This section focuses on the critical issues that must be considered when developing a policy to address any societal need, whether water provision, management of street trading or provision of social grants as a means of reducing poverty. The importance of this section is that the principles are relevant irrespective of the area of focus by a public institution. The principles as outlined would be applicable to any functional area that requires a policy to be developed. Category B recommendations are specific to street trading as per the findings of the survey conducted in Polokwane City and Mankweng Township.

Generally, although both categories are aimed at the management of street trading in Polokwane Municipality, Category A recommendations are applicable to any functional area of an institution, while Category B recommendations are relevant to street trading in Polokwane Municipality.

10.3 GENERIC POLICY RECOMMENDATIONS

One of the main activities that public institutions perform is the development of policies. It has emerged from the study that it is important that relevant policies are developed to guide and delimit the activities of an institution. Such a policy should

clearly articulate the municipality's goals, as well as indicate what *actions* the municipality should undertake to attain such goals, and which *functionaries* will play *what* role in managing the street vendors. This section provides recommendations that are not only relevant to the development of a street trading policy, but can be used for any functional area within a public institution. The section highlights important issues that have emanated regarding policy development that are often overlooked, resulting in serious problems, which include the following:

10.3.1 Problem Identification and Vision

A policy is developed to address a certain societal problem. To this effect, the problem that the policy needs to address should be clearly defined, with the goals well-articulated. On the side of Polokwane Municipality, it means having a thorough understanding of both the quantitative and qualitative state of the street vendors. This would enable the municipality to identify relevant interventions.

In addition, analysis of the problem should take into account the environment within which the problem and the municipality operates. An analysis of the evolution of Public Administration has indicated that organisations are open systems, affected by the environment. To this effect, several external and internal factors that affect policies have been indicated. This means that in order to develop an effective policy, the municipality should conduct a thorough analysis of internal and external factors that will influence or affect the policy. This would assist in avoiding a situation where good policies are adopted but cannot be implemented because of a lack of resources.

Once the problem has been clearly identified, the municipality should clearly indicate the vision (desired state of events) and the mission of the municipality with regards to the problem that the policy intends to address should be indicated. A clearly articulated vision and mission would assist the municipality in developing relevant and coherent programmes. It would also guide all the stakeholders in the municipality. The absence of a clear vision and mission may lead to different and sometimes even conflicting interventions from various functionaries in the municipality. It would further provide a basis for the monitoring and evaluation of the policy.

10.3.2 Institutional Model

Management of the informal economy requires a multifaceted approach. To this end, the policy should clearly outline the institutional model for implementing the policy. This includes indications of the various actions, functionaries and what role they will play. The institutional model should not only focus on the internal stakeholders but should also include external stakeholders who are affected by the sector. The critical external stakeholders with regard to street vendors, for example, would be the trader's associations and formal businesses.

10.3.3 Relevance

When developing a policy, consideration should be given to the hierarchy of policies. Any policy should be aligned to the ruling political party policy and the government policy. In developing the policy for managing street vendors, the municipality should ensure that the policy is aligned to the policies of the ruling political party as far as informal business or street vending is concerned. Furthermore, the policy should also be aligned to the national and provincial frameworks and programmes.

10.3.4 Sustainability

The implications of the policy to the overall organisation should be clearly assessed before a decision is taken to adopt and implement such a policy. Such an assessment should focus on issues like financial feasibility, personnel implications, legal issues and political feasibility. Whatever option the municipality adopts, it should have the means and capacity to sustain its implementation.

10.3.5 Implications for other development interventions

Sometimes development interventions have a negative impact on those in the informal economy. For example, formalizing garbage collection might result in the loss of employment in the informal economy, or the introduction of a school feeding scheme

can have negative impact on food vendors outside school grounds. It is therefore important for the municipality to assess the implication (direct or indirect) of whatever policy it adopts for the informal sector.

It is also important to consider the implications of the informal economy on the formal economy. As indicated earlier, the formal sector is the backbone of the economy. As a result, any policy aimed at supporting the informal sector should not affect the formal economy negatively.

10.4 STREET TRADING SPECIFIC RECOMMENDATIONS

The findings of the various case studies as well as the literature reviewed provide a good basis for key issues to be considered for policy development. The state of street vending in Polokwane has also confirmed the findings obtained in other places, indicating that although the dynamics and state of street vending is not exactly the same, the principles and challenges faced by the street vendors are the same.

Taking into account the findings of the present study, the following recommendations are presented for consideration during the development of policy for the management of street traders in Polokwane:

10.4.1 Management is not equivalent to regulation

Management of the informal business sector equals regulation plus support of the sector. This is not an *either/or* situation, but a combination of both, that is, management is not only about support or about regulation, but a combination and good balance of both activities. This is based on the principle that by offering the necessary support to the sector, the municipality will be in a better position to regulate it. It negates the previous approach which focused on regulation and less on support. The reality of the matter is that where this approach has been followed, it has not been as effective as it could have been had proper support systems been put in place. This implies that the two concepts, support and regulation, have to be planned parallel to each other, where the support programme can be implemented initially and the regulation gradually phased in. As a result, the spirit of the policy should not be about

what can be sold, or where and what cannot be sold. Instead, the approach should be broader, dealing more with elements of support and less with regulation.

10.4.2 Safety and security

Most of the interviewees raised the issue of safety as a priority. This is because without proper security, they stand to lose their hard-earned income and assets. Furthermore, the absence of proper security and safety measures will deter customers, thereby reducing their income. In two separate studies conducted in Polokwane, safety was ranked among the most important issues that street vendors consider when they choose their business locations. Providing a safe and secure working environment for the street vendors should be a priority intervention adopted by the municipality. This can be attained through provision of proper trading infrastructure, sufficient public lighting and also through visible policing in areas where street trading is prevalent,

10.4.3 Training

Although not raised as a priority by most vendors, training is crucial for the development of the sector. Basic math and accounting skills, as well as business management skills, are key to all successful businesses, including those located in the informal economy.

Many of the participants in the informal sector have low educational levels. This has implications for how the businesses perform. Of the respondents interviewed in Polokwane, only 7,9% have a tertiary education. This provides a good basis for skills development. Training, therefore, should be one of the aspects that receives special attention from the municipality

10.4.4 Sector-specific interventions

Since predominant activities are trade and services, interventions should aim at strengthening the sectors, and assisting the participants to move from the survivalist

mode to sustainable business ventures. This will significantly improve the lives of the traders and there will be a noticeable improvement in the economy of the country as a whole.

10.4.5 Conflict Management

There is bound to be conflict between the traders, formal businesses, municipality and other stakeholders. The policy should provide a mechanism for managing conflicts. It is acknowledged that addressing the informal economy in the LED process is not a simple and straightforward task. It mainly concerns mediating tensions between the various groups, including those between non-regulation of informal activities and local taxation.

10.4.6 Balancing interests

The municipality must balance the interests of formal business with those of the informal economy. Formal business is often a major revenue generator for the local government, and its interests may contradict those of the informal economy.

10.4.7 Infrastructure Provision

The street vendors should be provided with infrastructure in the form of formal markets and other street furniture such as benches and storage space. In addition to these, availability of services like water and electricity would also affect their performance positively. Sixty-six percent of the street vendors interviewed in Polokwane and Mankweng indicated that they would want to have proper hawking and storage facilities to improve their businesses.

10.4.8 By-law enforcement

The municipality should develop a by-law to enforce the policy. In the interim, in order to ensure better success with regulation, the municipality should enforce the implementation of the current (outdated) by-law, focusing on those sections that are

still relevant. This will prepare the street vendors for regulation change, ensuring that improvement of regulation does not shock the sector, thereby avoiding resistance.

10.4.9 Role Clarification

The municipality should develop a clear institutional model for the management of this sector. Such a model should be clearly stipulated in the policy and should indicate the role of both internal and external stakeholders. This is informed by the fact that there are a number of SBUs that are directly or indirectly involved in this function. As an immediate measure, the municipality should finalise the integration of the function to the relevant SBU that has to coordinate the whole programme.

10.4.10 Gender sensitive policy

The informal business sector should offer an opportunity for job creation and poverty eradication, and ultimately improve the quality of life. Since the study has shown that women constitute a higher percentage of participants within the informal business sector, it is important that any policy initiative should acknowledge the relationship between informal employment, gender and poverty. The policy should be biased towards women. It should be designed in such a way that it would empower women both socially and economically.

10.4.11 Street vendors to be organised

The street vendors in Polokwane are not organised. More than 80% of the respondents indicated that it is important to get organised. The municipality should assist them to do so. One of the reasons participants in the informal sector are weaker and normally “voiceless” is because they are not organised. As a result, the sector is seldom consulted even when matters that affect it are tabled for discussion. Good organisation of the vendors will enhance meaningful participation in the activities that directly or indirectly affect them.

10.5 CONCLUSION

The informal sector plays an important role in both social and economic development. Many people, especially those living in historically underprivileged communities, are involved in this sector. For the sector to develop and have impact on the economy of the country, it needs to be well organised and managed. That can be done successfully if both the informal sector and the municipality work together. Regulations to manage the sector are needed, but these have to be a result of collective discussions and endeavours.

For the municipality to enjoy the benefits emanating from the sector, it has to balance the regulation with the need for support. Furthermore, in developing the policy, consideration should be taken of the factors that affect the performance of the sector, and any intervention mechanism should aim at mitigating any negatives that the sector faces, while strengthening its strong points.

The challenges to develop and transform the sector are many, but if the various stakeholders and policy-makers work together, much can be achieved. Policies for managing the sector should focus on both support and regulation as a way to bring effective management of the sector. Management should never be equated to law-enforcement. Instead, interventions should provide an environment that enables proper support and ultimately effective regulation.

BIBLIOGRAPHY

1. PUBLISHED SOURCES

1.1 BOOKS

African National Congress. 1994. The reconstruction and development programme - A policy framework. Johannesburg: Umanyano Publishers.

Alreck, P. I. and Settle, R.B. 1985. The survey research handbook. Illinois: Richard D. Irwin Incorporated.

Anderson, J.E. 2000. Public policy making. 4th edition. Boston: Houghton Mifflin Co.

Atkinson, B., Baker, P. and Milward, B. 1996: Economic policy. London: MacMillan Press Ltd.

Babbie, E.1998. The practice of social research. 8th edition. California: Wadsworth Publishing Company.

Batley, R. Political control of urban planning and management. In Devas, N. and Rakodi. C. (eds). 1993. Managing fast growing cities – New approaches to urban planning and management in the developing world. England: Longman Scientific and Technical.

Bivens, L.J. and Gammage, S. Will better workers lead to better jobs in the developing world? In Avirgan, T. Josh Bivens L and Gammage, S. (eds). 2005. Good jobs, bad jobs, no jobs - Labor markets and informal work, in Egypt, El Salvador,

India, Russia and South Africa. Washington: Economic Policy Institute Global Policy Network.

Bayat, M.S. and Meyer, I.H. 1994. Public administration - Concepts, theory and practice. Halfway House: Southern Book Publishers.

Berends, M. and Zotolla, G. A. Primer of survey methods. In Lapan, S. D. and Quartaroli, M. T. (eds). 2009. Research essentials - An introduction to designs and practices. San Francisco: Jossey-Bass. A Wiley Imprint.

Birley, G. and Moreland, N. 1998. A practical guide to academic research. London: Kogan Page Limited.

Botes, P.S. Bureaucracy - Max Weber revisited. In Hanekom, S.X., Rowland, R.W. and Bain, E.G. (eds). 1987. Key aspects of public administration. Revised edition. Halfway House: Southern Book Publishers (Pty) Ltd.

Botes, P.S., Brynard, P.A., Fourie, D.J. and Roux, N.L. 1995. Public administration and management - A guide to central, regional and municipal administration. Pretoria: Kagiso Tertiary.

Botes, P.S., Brynard, P.A., Fourie, D.J. and Roux, N.L. 1996. Public Administration and Management - A guide to central, regional and municipal administration and management. Pretoria: Kagiso Tertiary.

Botha, B.P. Accountability versus responsibility. In Hanekom, S.X., Rowland, R.W. and Bain, E.G. (eds). 1987. Key aspects of public administration. Revised edition. Halfway House: Southern Book Publishers (Pty) Ltd.

Botha, D.G. The role of Durban as a local authority in the informal sector. In Reddy, P.S. (ed). 1995. Perspectives on local government management and development in South Africa. South Africa: University of Durban-Westville.

Bradley, J.E. Perspectives on the nature and role of the informal sector in the South African context. In Reddy, P.S. (ed). 1995. Perspectives on local government management and development in South Africa. South Africa: University of Durban-Westville.

Brynard, P.A. and Erasmus, K. 1995. Public management and administration – Case study resource book. Pretoria: J.L. van Schaik Publishers.

Brynard, P.A. and Hanekom, S.X. 1997. Introduction to research in public administration and related academic disciplines. Pretoria: J.L. van Schaik Publishers.

Cameron, R.G. and Stone, A.B. 1995. Serving the public - A guide to practitioners and students. Pretoria: J L van Schaik.

Chambers, R. 1983. Rural development - Putting the last first. England: Longman.

Chen, M. and Vanek, J. Informal employment - Rethinking workforce development. In Avirgan, T., Josh Bivens, L. and Gammage, S. (eds). 2005. Good jobs, bad jobs, no jobs: Labor markets and informal work, in Egypt, El Salvador, India, Russia and South Africa. Washington: Economic Policy Institute. Global Policy Network.

Chen, M. A., Vanek, J. and Carr, M. 2004. Mainstreaming informal employment and gender in poverty in reduction - A handbook for policy-makers and other stakeholders. London: The Commonwealth Secretariat.

Chen, M., Vanek, J., Lund, F., Heintz, J., Jhabvala, R. and Bonner, C. 2005. Progress of the world's women 2005 - Women, work & poverty. New York: United Nations Development Fund for Women.

Cloete, F. 1995. Local government transformation in South Africa. Pretoria: J.L. van Schaik Publishers.

Cloete, F. Policy evaluation or assessment? In Cloete, F. and Wissink, H (ed). 2000. Improving public policy. Pretoria: Van Schaik Publishers.

Cloete, J.J.N. 1992. Central, regional and local government institutions of South Africa. 3rd edition. Hatfield: JL van Schaik.

Cloete, J.J.N. 1993. Towns and cities: Their government and administration. Pretoria : JL Van Schaik (Pty) Ltd.

Cloete, J.J.N. 1995. Public administration glossary. Pretoria: J.L. van Schaik Publishers.

Cloete, J.J.N. 1996. Public administration and management - New constitutional dispensation. Pretoria: J.L. van Schaik Publishers.

Cloete, J.J.N. 1998. South African public administration and management. 9th revised edition. Pretoria: JL van Schaik.

Cloete, J.J.N. 2010. South African public administration and management. 5th impression. Pretoria: Van Schaik Publishers.

Coetzee, W.A.J. 1988. Public administration - A South African introductory perspective. Pretoria: J L Van Schaik.

Craythorne, D. L. 1993. Municipal administration - A handbook - Supplement to the 3rd edition. Kenwyn: Juta & Co.

Craythorne, D.L. 2003. Municipal administration - A handbook. 5th edition. Lansdowne. Juta & Company, Ltd.

- Craythorne, D. L. 2006. Municipal administration - A handbook. Kenwyn: Juta & Co.
- De Beer, J. and Lourens, L. 1995. Local government - The road to democracy. Midrand: Educum Publishers.
- De Coning, C. The nature and role of public policy. In Cloete, F. and Wissink, H (eds). 2000. Improving public policy. Pretoria: Van Schaik Publishers.
- Deng, L.A. 1998. Rethinking African development - Towards a framework for social integration and ecological harmony. Asmara. Eritrea: Africa World Press Inc.
- Denhardt, R.B. 1993. Theories of public organisation. 2nd edition. Belmont. California: Wadsworth Publishing Company.
- Devas, N. Evolving approaches. In Devas, N. and Rakodi, C. (eds). 1993. Managing fast growing cities - New approaches to urban planning and management in the developing world. England: Longman Scientific and Technical.
- Devas, N. and Rakodi, C. The Urban Challenge. In Devas N and Rakodi C. (eds). 1993. Managing fast growing cities - New approaches to urban planning and management in the developing world. England: Longman Scientific and Technical.
- Dewar, D. and Watson, V. Urban planning and the informal sector. In Preston-Whyte, E. and Rogerson, C. (eds). 1991. South Africa's informal economy. Cape Town: Cape Town University Press.
- Du Toit, D. and Van der Waldt, G. 1999. Public administration and management - The grassroots. Kenwyn: Juta & Company Limited.
- Dye, T.R. 1995, Understanding public policy. 8th edition. United Kingdom: Prentice Hall Inc.

Folz, D.H. 1996. Survey research for public administration. California: Sage Publications Ltd.

Fox, W. Public policy in democratic societies. In Fox, W., Bayat, M.S. and Ferreira, I.W. (eds). 2006. A guide to managing public policy. Cape Town: Juta and Company Ltd.

Fox, W. and Bayat, R.S. 2007. A guide to managing research. Cape Town: Juta and Company Ltd.

Fry, B.R. 1989. Mastering public administration - From Max Weber to Dwight Waldo. New Jersey: Chatham House Publishers Inc.

Gerring, J. 2007. Case study research - Principles and practices. New York: Cambridge University Press.

Ghosh, J., Sengupta, A. and Roychoudhury, A. 2008. The impact of macroeconomic change on employment in the retail sector in India-policy implications for growth, sectoral change and employment. Employment working paper number 16. Geneva. International Labour Office.

Gildenhuis, J.S.H. and Knipe, A. 2000. The organisation of government - An introduction. Pretoria: Van Schaik Publishers.

Graziano, A.M. and Raulin, M.L. 1993. Research methods - A process of inquiry. 2nd edition. New York: Harper Collins College Publishers.

Greene J.D, 2005. Public administration in the new century - A concise introduction. California: Thomson Wadsworth.

Gulglar, J. The urban labour-market. In Gilbert, A. & and Gugler, J. 1992. Cities, poverty and development - Urbanization in the third world. 2nd edition. New York: Oxford University Press Inc.

Hanekom, S.X. 1987. Public policy - Framework and instrument for action. Halfway House: Southern Book Publishers.

Hanekom, S.X. 1992. Public policy - Framework and instrument for action. 1st edition. 2nd impression. Halfway House: Southern Book Publishers.

Harrison, K., Reddy, P.S. and Nene, B. Implementing the developmental mandate - Achieving local economic development. In Reddy, P.S., Sing, D. and Moodley, S. (eds). 2003. Local government financing and development in Southern Africa. Cape Town: Oxford University Press Southern Africa.

Hart, D. The informal sector in South African literature. In Preston-Whyte, E. and Rogerson, C. (eds). 1991. South Africa's informal economy. Cape Town: Cape Town University Press.

Henry, N. 1995. Public administration and public affairs. New Jersey: Prentice Hall, Incorporated.

Hughes, O.E. 1994. Public management and administration - An introduction. London: The Macmillan Press Limited.

Hughes, O.E. 2003. Public management and administration. 3rd edition. New York: Palgrave Macmillan.

International Labour Office. 2002b. Women and men in the informal economy - A statistical picture. Geneva, Switzerland.

International Labour Organisation. 2003. Street traders and their organisations in South Africa. Geneva, Switzerland.

Ismail, N., Bayat, S. and Meyer, I. 1997. Local government management. Halfway House: International Thompson Publishing Southern Africa (Pty) Ltd.

Kirsten, M. A quantitative assessment of the informal sector. In Preston-Whyte, E. & Rogerson, C. (eds). 1991. South Africa's informal economy. Cape Town: Cape Town University Press.

Kotze, D.A. Successive approaches to development administration and management. In Kotze, D.A. (ed). 1997. Development administration and management. Pretoria: J.L. van Schaik Publishers.

Kotze, D.A. and Kellerman, G.E.J. Participation and managerial approaches to development. In Kotze, D.A. (ed). 1997. Development administration and management. Pretoria: J.L. van Schaik Publishers.

Lapan, S.D. and Armfield, S.W.J. Case study research. In Lapan S. D. and Quartaroli M.T. (eds). 2009. Research essentials - An introduction to designs and practices. San Francisco: Jossey-Bass, A Wiley Imprint.

Latib, S. Accountability. In Cloete, F. and Mokgoro, J. 1995. Policies for public service transformation. Kenwyn: Juta and Company Ltd.

Leedy, P. D. 1997. Practical research - Planning and design. New Jersey: Prentice Hall Inc.

Martinussen, J. 1997. Society, state and market - A guide to competing theories of development. Canada: Fernwood Books.

Mentz, J.C.N., Kellerman, G.E.J. and Kotze, D.A. The bureaucracy. In Kotze, D.A. (ed). 1997. Development administration and management. Pretoria: JL van Schaik.

Meyer, I.H. and Cloete, F. Policy-agenda setting. In Cloete, F. and Wissink, H. (eds). 2000. Improving public policy. Pretoria: Van Schaik Publishers.

Mouton, J. 1996. Understanding social research. Pretoria: JL van Schaik.

Natrass, N. The small black enterprise sector - A brief note of caution. In Natrass, N. and Ardington, E. (eds). 1990. The political economy of South Africa. Cape Town: Oxford University Press.

Nel, E. Local economic development. In Atkinson, D. and Reitzes, M. (eds). 1998. From a tier to a sphere - Local government in the new South African constitutional order. Sandton: Heinemann Publishers (Pty) Ltd.

O' Sullivan, E., Rassel, G.R. and Berner, M. 2003. Research methods for public administrators. 4th edition. New York. Addison Wesley Longman, Inc.

Phutiagae, K. Local economic development and municipalities in South Africa. In Van der Waldt, G. (ed). 2007. Municipal management – Serving the people. Cape Town: Juta and Company Ltd.

Preston-Whyte, E. and Rogerson, C. Deregulation and formalization. In Preston-Whyte, E. and Rogerson, C. (eds). 1991. South Africa's informal economy. Cape Town: Oxford University Press.

Preston-Whyte, E. and Rogerson, C. Policy and planning. In Preston-Whyte, E. and Rogerson, C. (eds). 1991. South Africa's informal economy. Cape Town: Oxford University Press.

Quartaroli, M.T. Qualitative data analysis. In Lapan S.D. & Quartaroli M.T. (eds). 2009. Research essentials - An introduction to designs and practices. San Francisco: Jossey-Bass, A Wiley Imprint.

Rakodi, C. Planning for whom. In Devas, N. and Rakodi, C. (eds). 1993. Managing fast growing cities - New approaches to urban planning in the developing world. United Kingdom: Longman Scientific and Technical.

Rao, S.K. 2004. Poverty, democracy and development - Issues for consideration by the Commonwealth Expert Group on democracy and development. London: Commonwealth Secretariat.

Reddy, P.S. Local government restructuring in South Africa. In Reddy, P.S. (ed). 1996. Readings in local government management and development – A Southern African perspective. Kenwyn: Juta and Company Ltd.

Rosenbloom, D.H. 1993. Public administration - Understanding management, politics, and law in the public sector. 3rd edition. United States of America: McGraw-Hill, Inc.

Roux, N.L., Brynard, P.A., Botes, P.S. and Fourie, D.J. 1997. Critical issues in public management and administration in South Africa. Pretoria: Kagiso Tertiary.

Rogerson, C. Policies for South Africa's urban informal economy - Lessons from the international experience. In Preston-Whyte, E. and Rogerson, C. (eds). 1991. South Africa's informal economy. Cape Town: Oxford University Press.

Rogerson, C. Deregulation, subcontracting, and the '(in)formalization' of small-scale manufacturing. In Preston-Whyte, E. and Rogerson, C. (eds). 1991. South Africa's informal economy. Cape Town: Oxford University Press.

Rogerson, C.M. 1996. Rethinking the informal economy of South Africa. Development Paper 84. Halfway House: Development Bank of Southern Africa.

Sing, D. Towards creative and innovative local government financing. In Reddy, P.S., Sing, D. and Moodley, S. (eds). 2003. Local government financing and development in Southern Africa. Cape Town: Oxford University Press Southern Africa.

Swanepoel, H. and De Beer, F. 2006. Community development - Breaking the cycle of poverty, 4th edition. Lansdowne: Juta and Company Ltd.

Swilling, M. A review of local government and development in Southern African region. In Reddy, P.S. (ed). 1996. Readings in local government management and development – A Southern African perspective. Kenwyn: Juta and Company Ltd.

Thomas, W. Supporting job creation - Small business and informal sector development. In Schrire, R. (ed). 1992. Wealth or poverty - Critical choices for South Africa. Cape Town Cape Town: Oxford University Press. Southern Africa.

Todaro, M.P. 1992. Economics for a developing world - In introduction to principles, problems and policies for development. 3rd edition. New York: Longman Publishing.

Todaro, M. P. 1994. Economic Development. 5th edition. New York: Longman Group Ltd.

Todaro, M.P. and Smoth, S.C. 2003. Economic development. 8th edition. England: Pearson Education Ltd.

Van der Berg, S. The Status of Blacks in the South African economy - A macro-economic review. In Nomvete. B. D. (ed). 1993. The democratisation of South Africa - AIPA's five year programme for the integration of blacks into the economy and the promotion of economic co-operation between South Africa and the rest of Africa. The Africa Institute for Policy Analysis and Economic Integration. Johannesburg: WR Publications.

Van der Waldt, G. and Helmbold, R. 1995. The Constitution and a new public administration. Kenwyn: Juta and Company Ltd.

Venter, A. Integrated development planning as an approach to sustainable development. In Van der Walddt, G. 2007. Municipal management – Serving the people. Cape Town: Juta and Company Ltd.

Venter, A. Local government and its external environment. In Van der Walddt, G. 2007. Municipal management – Serving the people. Cape Town: Juta and Company Ltd

1.2 JOURNALS

Auriacombe, C.J. and Mouton, J. 2007. Qualitative field research. Journal of Public Administration. Volume 42. Number 6. pp 441-457.

Bhowmik, S. K. 2005. Street vendors in Asia - A review. Economic and Political Weekly. May 28-June 4, 2005. pp. 2256-2264.

Döckel, J.A. & Ligthelm, A.A. 2005. Factors responsible for the growth of small businesses. South African Journal of Economics and Management sciences. Volume 8. Number 1. March 2005. pp 54-63.

Kucera, D. and Roncolato, L. 2008. Informal employment – Two contested policy issues. International Labour Review. Volume 147. Number 4. pp 321-348.

McAdam, R. and Walker, T. 2003. An inquiry into balanced scorecards within best value implementation in UK local government. Public Administration - An international quarterly. Volume 81. Number 4. pp 887-890.

Mokate, R. 1999. Local government as a catalyst for poverty alleviation - A policy analysis approach. Journal of Public Administration. Volume 34. Number 3. September 1999. pp 185-209.

Saunders, S. & Loots, E. 2005. Measuring the informal economy in South Africa. South African Journal of economics and Management sciences. Volume 8. Number 1. March 2005. pp 92-101.

Skinner, C. 2006. Falling through the policy gaps? Evidence from the informal economy in Durban, South Africa. Urban Forum, Volume 17. April-June 2006. pp 125-148.

Webb, W. and Auriacombe, C.J. 2006. Research design in Public Administration - Critical considerations. Journal of Public Administration Volume 41 Number 31. pp 588-564.

Webster, E. 2004. The dual economy - new agenda. South African Journal of Social and Economic Policy. Issue 15. 3rd quarter. 2004. pp 13-19.

Williams, C.C. 2004. Tackling the underground economy in deprived populations - A critical evaluation of the deterrence approach. Public Administration and Management: An interactive Journal 9(3). 2004. pp 224-239.

1.3 REPORTS

African National Congress. 1955. The Freedom Charter.

African National Conference. ANC 52nd National Conference. 2007 - Resolutions.

City of Cape Town. 2003. Informal trading policy and management framework.

City of Johannesburg Metropolitan Municipality. 2002. Randburg CBD informal trading policy.

City of Johannesburg Metropolitan Municipality. Undated. Informal trading policy for the City of Johannesburg.

City of Johannesburg Metropolitan Municipality. Undated. Street trading by-laws.

City of Tshwane Metropolitan Municipality. 2004. Informal trading in Tshwane - Regulatory, spatial and economic framework. 2nd draft report.

City of Tshwane Metropolitan Municipality. Undated. Informal trading policy and management framework.

Chen, M.A., Jhabvala, R. and Lund, F. 2002. Supporting workers in the informal economy - A policy framework. Working paper on the Informal Economy. Geneva: International Labour Office.

Davies, R. and Thurlow, J. 2009. Formal-informal linkages and unemployment in South Africa. Human Sciences Research Council.

Devey, R., Skinner, C. and Valodia, I. 2006. Second best? Trends and linkages in the informal economy of South Africa. Human Science Research Council.

Ethekwini Unicity Municipality. 2001. Durban's informal economy policy.

International Labour Organisation. 2002a. Decent work and the informal economy: Report VI. Geneva Switzerland

Kingdon, G.G. and Knight, J. 2001. Why high open unemployment and small informal sector in South Africa? Centre for the Study of African Economics. Department of Economics. University of Oxford.

Lund, F. and Skinner, C. 2003. The investment climate for the informal economy - Case of Durban, South Africa. Background paper for the 2005 World Development Report.

Mitullah, W.V. 2003. Street vending in African Cities - A synthesis of empirical findings from Kenya, Cote D'Ivoire, Ghana, Zimbabwe, Uganda and South Africa. Background Paper for the 2005 World Development Report.

Mitullah, W.V. 2005. A review of street trade in Africa - Working draft. A review commissioned by Women in Informal Employment Globalising and Organizing.

Muller, C. 2003. Measuring South Africa's informal sector- An analysis of national household surveys. Development Policy research Unit. Working Paper 03/71. Durban: University of Natal.

Ntsika Enterprise Promotion Agency. 1998. State of small business in South Africa.

Organisation for Economic Co-operation and Development. 2010. Economic survey of South Africa, 2010.

Pietersburg/Polokwane Transitional Local Council. 1997. By-laws relating to street trading.

Polokwane Municipality. 2004. Proposed Market for Informal Traders.

Polokwane Municipality. Integrated Development Plan 2005/06.

Polokwane Municipality. Integrated Development Plan 2006/11.

Polokwane Municipality. Integrated Development Plan 2008/11.

Polokwane Municipality. 2006. SMME development strategy and implementation plan.

Polokwane Municipality. 2006. SMME development strategy and implementation-Phase 1: Status quo analysis.

Roever, S. 2006. Street trade in Latin America - Demographic trends, legal issues, and vending organisations in six cities. Report prepared for WIEGO Urban Policies Programmes.

Skinner, C. 2005. Constraints to growth and employment in Durban - Evidence from the informal economy. Research Report Number 65.

Skinner, C. 2008. Street trade in Africa - A review. School of Development Studies. Working paper Number 51. University of KwaZulu- Natal.

Swinburn, G., Goga, S. and Murphy, F. 2006. Local economic development - A primer developing and implementing local economic development strategies and action plans. Washington D.C: The World Bank.

Valodia, I. 2006. Formal/informal linkages in South Africa - Some considerations. Human Sciences Research Council.

Valodia, I., Lebani, L. and Skinner, C. 2005. A review of labour markets in South Africa - Low waged and informal employment in South Africa. Human Sciences Research Council.

Valodia, I., Davies, R, Altman, M. and Thurlow, J. 2007. Economic behaviour in South Africa's informal economy. Report to the Conflict and Governance Facility.

1.4 PAPERS

Altman, M.A. 2007. What are the policy implications of the informal sector becoming the informal economy? Draft Concept Paper prepared for IZA/WB Conference on Employment & Development. Bonn. Germany. 8-9 June 2007.

Behar, A. 2006. ASGISA and JIPSA - Will those who remain unskilled also get a share? Paper presented at the TIPS Conference. Johannesburg. South Africa. 18-20 October 2006.

Blaaw, P.F. 2005. The dynamics of the informal sector in south Africa - A case study of day labourers in Pretoria. Paper presented at the biennial conference of the Economic Society of South Africa. Durban. South Africa. 7-9 September 2005.

Chen, M. 2004. Rethinking the informal economy - Linkages with the formal economy and the formal regulatory environment. Paper presented at the EGDI and UNU-WIDER Conference. Helsinki. Finland. 17-18 September 2004.

1.5 DICTIONARIES

Chandler, R.C. and Plano, J.C. 1988. The public administration dictionary. New York: John Wiley & Sons.

Fox, W. and Meyer, I.H. 1995. Public administration dictionary. Juta and Company Ltd.

Johannsen, H. and Page, G.T. 1996. International dictionary of management. 5th edition. London: Kogan Page Limited.

The Dictionary Unit for South African English. 2002. South African Concise Oxford Dictionary. Cape Town. Oxford University Press Southern Africa.

1.6 INTERNET SOURCES

Barta, P. 2009. The rise of the underground. World Street Journal. <http://online.wsj.com/articles/SB1236988646833925567.html>. Viewed 22 May 2009.

Bhowmik, S. K. 2001. Hawkers and the urban informal sector - A study of street vending in seven cities. A report prepared for National Alliance of Street Vendors of India. <http://www.streetnet.org.za/English/studybow.htm>. Viewed 20 November 2009.

Bhowmik, S.K. 2003. Urban responses to street trading - India. <http://www.worldbank.org/urban/symposium/2003/docs/paper/bhowmik.pdf>. Viewed 27 January 2010.

Bhowmik, K. 2006. Social security for street vendors. http://www.india-seminar.com/2006/568/568_sharit_bhowmik.htm. Viewed 22 July 2009.

Castillo, J.J. 2009 Population sampling techniques. <http://www.experiment-resources.com/population-sampling.html>. Viewed 30 March 2010.

Castillo, J.J. 2009. Non-probability sampling. <http://www.experiment-resources.com/non-probability-sampling.html>. Viewed 30 March 2010

Chen, A.A. 2003. Rethinking the informal economy. http://www.wiego.org/papers/2003/unifem/531_martha_alter_chen.pdf. Viewed 22 May 2009.

Gerardy, J. 2007. Street vendors dig deep in their boxes of wile to get a buck from motorists. <http://www.busrep.co.za/index.php?farticleId-3624630>. Viewed 15 January 2009.

Global Development Research Centre. The informal sector. <http://www.gdrc.org/informal/index.html>. Viewed 27 October 2010.

Limpopo Provincial Government. 2007. SA: Moloto: African co-operative for hawkers and informal business conference (15/09/2007).

http://www.polity.org.za/article.php?a_id=117011. Viewed 15 January 2009.

Mail and Guardian Online. 2008. Cops accused of harassing street traders.

<http://www.mg.co.za/article/2008-04-16-cops-accused-of-harassing-street-traders>.

Viewed 15 January 2009.

Skinner, C. 2009. Challenging city imaginaries - Street traders' struggle in Warwick Junction. www.streetnet.org.za/wp-content/uploads/2010/06/Agenda82carolineskinner.pdf.

Viewed 27 October 2010.

Srinivas, H. undated. The informal sector and some development paradigms.

<http://www.gdrc.org/informal/doc-6paradigms.html>. Viewed 09 January 2004.

Srinivas, H. undated. Yes, but - Attitudes towards the informal sector.

http://www.gdrc.org/informal/doc-3yes_but.html. Viewed 02 November 2010.

StreetNet International. The Bellagio International declaration of street vendors.

<http://www.streetnet.org.za/english/page4.htm>. Viewed 17 October 2007.

StreetNet International. <http://www.streetnet.org.za/english.htm>. Viewed 17 October 2007.

Thale, T. 2003. Metro mall defaulters pay up.

http://joburgnews.co.za/2003/aug/aug8_metro.stm. Viewed 23 March 2009.

Thale, T. 2004. Fresh produce market empowers entrepreneurs.

http://joburgnews.co.za/2004/april/apr29_market.stm. Viewed 6 January 2009.

Thale, T. 2007. The rise and rise of hawking in the city. <http://www.joburg.org.za/content/view/134/212>. Viewed 23 March 2009.

Tolsi, N. 2009. Trading markets for malls. <http://www.mg.co.za/article/2009-04-09-trading-markets-for-malls>. Viewed 22 May 2009.

Van der Post, T. 2007. No fair trade for SA's street vendors. <http://www.mg.co.za/article/2007-04-25-no-fair-trade-for-sas-street-vendors>. Viewed 17 October 2007.

Women in Informal Employment Globalizing and Organizing. Undated. Informal workers in focus - Street vendors. <http://www.wiego.org/main/fact1.html>. Viewed 22 May 2009.

Women in Informal Employment Globalizing and Organizing. Undated. Fact sheets-street vendors. <http://www.wiego.org.main/fact5.shtml>. Viewed 22 May 2009.

1.7 GOVERNMENT REPORTS

Department of Provincial and Local Government. 2006. Stimulating and developing sustainable economies- national framework for local economic development (LED) in South Africa (2006-11).

Republic of South Africa. 1991. Businesses Act, 71 of 1991.

Republic of South Africa. Undated. Policy for the implementation and enforcement of the Businesses Act, 1991.

Republic of South Africa. 1996. The Constitution of the Republic of South Africa, 1996.

Republic of South Africa. 1997. Organised Local Government Act, 52 of 1997.

Republic of South Africa. 1998. Local Government Municipal Demarcation Board Act, 27 of 1998.

Republic of South Africa. 1998. Municipal Structures Act, 117 of 1998.

Republic of South Africa. 2000. Municipal Systems Act, 32 of 2000.

Republic of South Africa. 1998. White Paper on Local Government.

Republic of South Africa. 1995. White Paper on the National Strategy for the development and promotion of small business in South Africa.

Republic of South Africa. 2002. State of the Nation Address, 08 February 2002.

Republic of South Africa. 2006. Accelerated and Shared Growth Initiative for South Africa.

Statistics South Africa. 2005. Labour force survey - September 2005. Pretoria.

Statistics South Africa. 2007. Labour force survey - March 2007. Pretoria.

Statistics South Africa. 2010. Labour force survey - Quarter 2, 2010. Pretoria.

1.8 MAGAZINES

South African Labour Bulletin. Addressing the new faultline. Volume 28. Number 2. April 2004. pp7-9.

South Africa Labour Bulletin. The informal plague goes global. Volume 29. Number 1. March 2005. pp 44-45

IMIESA. Informal Trading contributes to LED. March 2004. Pp 44.

Hologram Horizontal Learning Programme. 2003. The best of Hologram 2001- 2003: Issues and practice in South African Local Government. Cape Town: Nolwazi.

United Nations Development Programme. 1999. Choices - The human development magazine. Volume 8, Number 1.

2. UNPUBLISHED SOURCES

2.1 NEWSPAPER ARTICLES

Boyle, B. Second economy remains out of government's reach. Sunday Times. 12 December 2004.

Chikane, K. Rainy weather has a ripple effect on street traders' stocks. Pretoria News. 12 November 2008.

Delonno, P. (ed). SA's unemployed workers don't have skills to fill gap. Business Day. 18 June 2009.

Pongoma, L. Tenants decry high rent at new market. Sowetan. 25 March 2010.

Mangena, I. Hawkers graduation day. Daily Sun. 19 July 2005.

Seria, N. Pavement traders lack skill to move on. Business Day. 25 January 2005.

Stober, P. 2004. Employment isn't what it used to be. Sunday Times. 12 December 2004.

Wadula, P. 2005. Why SA's small businesses stay that way. Business Day. 3 January 2005.

2.2 THESES

Govender, S. 2003. The scope and applicability of total quality management (TQM) to the public schooling system. Unpublished D Phil dissertation. University of KwaZulu-Natal.

ANNEXURE A: QUESTIONNAIRE

PART A: BUSINESS OPERATIONS

1. What is the business type?

Unregistered	1
Sole ownership	2
Close Corporation	3
Family Business	4
Other(Specify)	5

2. How long has the business been in operation?

< 1 year	1
1 to 3 years	2
4 to 5 years	3
6 to 7 years	4
8 to 9 years	5
> 10 years	6

3. How many employees does the business have?

No employee	1
1 employee	2
2-5 years	3
6 -9 years	4
More than 10	5

4. How many employees did the business have last year?

No employee	1
1 employee	2
2-5 years	3
6 -9 years	4
More than 10	5

5. What is the type of service rendered by the business?

Cooking	1
Selling fruits and vegetables	2
Selling bags, hats and related stuff	3
Telephone	4
Other (please specify)	5

6. Who are your main customers?

.....

7. Where is your business located?

Limpopo Mall precinct	1
African market Precinct	2
Indian Centre	3
CBD 1 precinct	4

8. For how long has your business operated from this location?

< 1 year	1(proceed to 9)
1 to 3 years	2
4 to 5 years	3
6 to 7 years	4
8 to 9 years	5
> 10 years	6

9. If the answer to 8 above is less than one year, where have you been operating before?

Business not yet in operation	1
Limpopo Mall precinct	2
African Market Precinct	3
Indian Centre	4
CBD Precinct	5
Others (please specify)	6
.....	

10. What made you choose this location?

a).....

b).....

11. How does it compare with the previous location?

Much better	1
Better	2
The same	3
Worse	4
Much Worse	5

Explain.....

12. Have you ever considered changing the current location?

Yes	
No	
Not sure	
Never thought about that	

Explain:

PART B: SOCIO-ECONOMIC PROFILE

13. Are you the owner of the business?

Yes	Proceed to 16
No	Proceed to 14 & 15

14. If not the owner, for how long have you been working here?

< 1 year	1
1 to 3 years	2
4 to 5 years	3
6 to 7 years	4
8 to 9 years	5
> 10 years	6

15. What is the owner's occupation?

.....

16. How old are you

Younger than 15 years	1
16- 20 years	2
21 – 25 years	3
26- 30years	4
29 –35 years	5
36 –40 years	6
41 – 45 years	7
46 –50 years	8
51 years and above	9

17. Gender

Male	Female
------	--------

18. What is the your highest educational level

No schooling	1
Primary education	2
Grade 10(Std 8)	3
Grade 12(Matric)	4
Tertiary	5

19. Which skills do you possess?

.....
.....
.....
.....
.....

PART C: RELATIONSHIP WITH THE MUNICIPALITY

20. How would you describe the relationship between the informal business owners/employees and Polokwane Municipality?

Very good	1
Good	2
Bad	3
Very Bad	4
No relationship	5

Explain

.....
.....
.....
.....
.....
.....
.....
.....
.....

21. What are the four advantages of being located in this municipality?

1.....
2.....
3.....
4.....

22. What are the four disadvantages of being located in this municipality?

a).....
b).....
c).....
d).....

23. What are the constraints towards expanding your business?

a).....
b).....
c).....

- d).....
- e).....

24. What are the opportunities for expanding your business?

- a).....
- b).....
- c).....
- d).....
- e).....

25. What are the things that the municipality is currently doing that can assist your business?

- a).....
- b).....
- c).....
- d).....

26. What are those things that the municipality is not doing, that in your opinion it should be doing to assist you?

- a).....
- b).....
- c).....
- d).....

27. What should the municipality do to assist your business?

- a).....
- b).....
- c).....
- d).....
- e).....

28. What is your feeling about the municipality not allowing trading all over but within certain areas?

.....

29. What are the most three important things, in order of priority that the municipality should do to support your business?

- a).....
- b).....
- c).....

PART D : ORGANISATION

30. Do you belong to any Association?

Yes	No
-----	----

31. How would you rank the importance of belonging to a traders' association

Very important	1
Important	2
Less important	3
Not important	4
Do not know	5

32. How should the municipality assist informal business sector to get organized?

- a).....
- b).....
- c).....

33. Once organized, how should the municipality assist the association?

- a).....
- b).....
- c).....

Thank you for taking time to complete this questionnaire.



RESEARCH OFFICE (GOVAN MBEKI CENTRE)
WESTVILLE CAMPUS
TELEPHONE NO.: 031 – 2603587
EMAIL: ximbap@ukzn.ac.za

31 AUGUST 2005

MRS. MM MALAHLELA (200200141)
PUBLIC ADMINISTRATION

Dear Mrs. Malahlela

ETHICAL CLEARANCE APPROVAL NUMBER: HSS/05133A

I wish to confirm that ethical clearance has been granted for the following project:

"Policy considerations for the management of Informal businesses in a fast growing city: A case study of Polokwane Municipality"

Yours faithfully


.....
MS. PHUMELELE XIMBA
RESEARCH OFFICE

PS: The following general condition is applicable to all projects that have been granted ethical clearance:

THE RELEVANT AUTHORITIES SHOULD BE CONTACTED IN ORDER TO OBTAIN THE NECESSARY APPROVAL SHOULD THE RESEARCH INVOLVE UTILIZATION OF SPACE AND/OR FACILITIES AT OTHER INSTITUTIONS/ORGANISATIONS. WHERE QUESTIONNAIRES ARE USED IN THE PROJECT, THE RESEARCHER SHOULD ENSURE THAT THE QUESTIONNAIRE INCLUDES A SECTION AT THE END WHICH SHOULD BE COMPLETED BY THE PARTICIPANT (PRIOR TO THE COMPLETION OF THE QUESTIONNAIRE) INDICATING THAT HE/SHE WAS INFORMED OF THE NATURE AND PURPOSE OF THE PROJECT AND THAT THE INFORMATION GIVEN WILL BE KEPT CONFIDENTIAL.

cc. Faculty Officer
cc. Supervisor (Prof. D Singh)