

# **THE DYNAMICS OF INFORMAL TRADING IN WESTCLIFF CHATSWORTH**

**A CASE-STUDY OF THE BANGLADESH MARKET**

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**ALL WORK FOR THIS DISSERTATION WAS  
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# CHAPTER ONE

## RESEARCH FRAMEWORK

### 1. INTRODUCTION

“We encounter it in our every day life in such simple activities as buying a cheap watch or a book from a street vendor, arranging for a handyman to do repair at our home for cash, or hiring an immigrant women to care for the children or clean the house while we are away” (Portes and Haller, 2002: 1). Many of these mundane activities are often unacknowledged, hence we do not realise its value. For example, the informal sector is a critical part of our daily lives in that it serves to meet our needs in our domestic responsibility, and for some people a survival strategy or economic sustainability.

This informal sector has touched the lives of millions of people worldwide, especially those from developing countries. It has evolved as an influential sector over a short space of time. In the decades of the 1970s and 1980s, the informal sector was considered to be a marginal or negligible sector in a country's economy. However, in the last decade there has been considerable turn-around and much emphasis is now being placed on the informal sector. This sector is now part of major debates in the arenas of policy making in South Africa.

The informal sector has contributed significantly to shaping the current status of South Africa. It has featured in major debates of the political, economic and social arenas that have impacted on the transformation that took place recently. Many people in South Africa have found alternate ways of earning a living, either by choice or through force of circumstances (Krige, 1985). This phenomenon is more prevalent in the poorer parts of the country, especially in the rural areas where people are desperate to earn an income to meet their basic needs. Many researchers and policy makers thus see the informal sector as a possible solution to the problems of unemployment, underemployment and the consequent poverty endemic in the country (Portes *et al*, 1989).

South Africa's informal sector is similar to those in other developing countries. However, because of apartheid policies, it can be spatially recognized that informal traders first appeared in rural areas and later with the demise of apartheid, began to infiltrate into the urban areas. This large scale urbanisation has prompted planners to find solutions to problems of overcrowding, congestion and other infrastructural requirements. In finding solutions, it must be recognized that the informal sector is highly diverse in nature and that the concept is always evolving and changing over time depending on the context in which it is being applied, therefore solutions must be elastic enough to adjust to the changing context.

The case study for this dissertation focuses on the Bangladesh Market in Westcliff, Chatsworth. In this market, informal trading is predominant especially the trading of fruit and vegetables. The informal trading centre dates back to the 1980's when there was a lack of employment, increased poverty as well as the presence of restrictive apartheid laws that removed farmers off their lands (Group Areas Act) or restricted hawkers and traders from gaining trading permits in the area. This forced many Indians, determined to survive and make a decent livelihood, to begin trading illegally in the square of Unit 3 shopping centre, what is now known as the Bangladesh Market. The Bangladesh Market developed within the confines of the surrounding Indian community, depending on the community to support their business. The physical location of the Market is within the residential area of Westcliff.

More than twenty years later, even after the removal of apartheid laws, the Bangladesh Market not only still exists but thrives in these surroundings. Growing in size and numbers (more traders and more customers), and expanding to include people from other race groups, the Market is seen as a way for many, not only to make a living but also a place where fresh produce, meat, poultry and various other goods can be purchased at low prices.

## **1.1. RESEARCH PROBLEM**

The informal sector has become an integral part of our society, contributing to its social and economic upliftment. Street trading is the most common type of informal activity being practiced. The motivation behind this study is to understand the dynamics of growth and the problems that the sector endures and its influence on the lives of the neighbouring population. Although many informal street traders operate outside the reaches of formal law, they are still doing an honest living to support their households and families, yet very little is being done to improve their status. Understanding the racial history of South Africa and its effects on this market has prompted this study.

The Bangladesh Market in Westcliff is a special case where the informal trading centre exists within a residential area, amidst other formal businesses. The study addresses the problems of a cluster of informal trading activities located adjacent to formal businesses within a residential area. In the case of the Bangladesh Market in Westcliff, the dissertation explores issues such as; residential satisfaction and dissatisfaction with the Bangladesh Market in the area and, relationships between formal businesses and the informal traders.

## **1.2. RESEARCH QUESTION**

What is the nature and effects of informal trading in the Bangladesh Market located in the residential area of Westcliff in Chatsworth?

### **1.2.1. SUBSIDIARY QUESTIONS**

- What types of informal trading activities are being practiced in the Bangladesh Market?
- What is the demographic composition (age, sex, total percentage of population, economically active) of the traders in that area?
- What are the advantages and disadvantages to traders of locating in this specific area?

- What are the impacts of this informal economy on surrounding residents?
- How do the informal traders affect the formal businesses?
- How do informal traders contribute to the economy of the area?
- How can the informal sector be promoted in a residential area in relation to support from different stakeholders?
- Are these informal traders sustainable on a long-term basis in relation to deriving income from the goods that they sell or trade?

### 1.3. HYPOTHESIS

The informal sector is successful and lucrative in Westcliff, contributing to the economic and social lives of those involved in it. It impacts positively on the lives of the surrounding residents by creating income for them and providing goods that are readily available, but it may affect them negatively in terms of aesthetic appeal. Yet the net result appears to be positive. There is also little state involvement in this area in terms of providing policy that will facilitate expansion and progress of this sector.

### 1.4. PREVIOUS RESEARCH IN THIS FIELD

There has been intensive and extensive research on the dynamics of the informal economy. Writers and researchers look at different ways of defining this sector and in placing it in a specific context or area. The informal economy was widely looked at in both developing and developed countries (Portes *et al*, 1989). South African literature also focuses considerable attention on the informal economy. Initial attention was placed on the urban areas of the three cities namely, Durban, Johannesburg and Cape Town. However as momentum in the informal economy grew, it spread throughout the country. In the last decade, attention has been focused on policy development and implementation (Skinner, 2000).

In the Durban area the informal economy is thriving and much debate about its development is taking place. Extensive studies have been undertaken on

the informal economy in and around the city centre. These<sup>1</sup> include the fruit and vegetable market in the Warwick Avenue, the arts and crafts market in the Durban beachfront area, and informal trading on pavements in the city centre. There have also been various case studies and pilot projects<sup>2</sup> in townships such as KwaMashu and Umlazi. Emphasis has been placed on informal home industries in various residential areas. Trends on migration and its impacts on the informal economy have also been well researched. It is argued that large numbers of people subsisting in the informal economy are immigrants.

To the best of the author's knowledge, very little research has been done on the informal trading centre in the Westcliff area of Chatsworth. Although a study<sup>3</sup> on home-based industries in Westcliff was done in 1995, to date there has been no attempt to understand the dynamics of informal trading in Westcliff, how it affects the surrounding residents and what policies or steps local government is taking to improve or facilitate this sector. Furthermore, the issue of an informal trading centre located within a residential area has not been sufficiently explored.

## **1.5. CHAPTER OUTLINE**

The remainder of the dissertation is arranged in four chapters and these will be as follows:

**Chapter two** includes the conceptual framework. In this chapter are the key concepts and the bodies of literature pertaining to the informal economy.

**Chapter three** presents the methodological approaches and techniques that are used in executing the fieldwork carried out in this research. It focuses attention on the specific case study of Westcliff looking at the dynamics of

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<sup>1</sup> Refer to Durban's Informal Economy Policy, 2001; the work Ndinda, 1997 and that of Skinner, 1999.

<sup>2</sup> Refer to Krige, 1985

<sup>3</sup> Naidoo, 1999

informal trading in this area. Maps detailing and placing the area in context are also included.

**Chapter four** provides a detailed analysis of the findings that emerged during the fieldwork phase. It covers the impacts of informal trading in a residential area studying the communities that are involved and their perceptions. It focused on creating and fostering development within a community with the concept of participation. This chapter will attempt to bridge the gap between informal traders, the formal businesses and members of the community.

**Chapter five** concludes the dissertation with evaluating the findings from the previous chapters. It tests the validity of the hypothesis. In this chapter recommendations are made based on the findings and analysis, which will contribute to the future planning of this sector.

## **CHAPTER TWO**

### **CONCEPTUAL FRAMEWORK**

#### **2.1. INTRODUCTION**

This chapter contains the terminologies and interpretations, together with the bodies of literature on the informal economy. It outlines the main characteristics and provides an overview of the informal economy internationally and in South Africa. These characteristics include the relationship between the formal and informal economies, gender discrimination in the informal economy, local economic development and, policy and regulation of informal activities.

#### **2.2. HISTORY OF THE INFORMAL ECONOMY**

The informal economy came into being and grew at an unprecedented rate during the 1970s. This was due to the economic crisis that occurred during the mid-1970s throughout the world, including South Africa (Bromley, 1979). Many countries at this time were going through the process of global recession and this created problems for millions of people who were in formal employments. These people faced unfavorable and undesirable conditions in the labour markets, which forced them to look for alternate forms of employment. This initiated the informal economy in different countries. According to Portes, *et al*, (1989) the expansion of the informal economy contributed to the process of economic restructuring during the structural crisis of the 1970's.

With globalization and trade liberalization, many workers "in the informal economy have been able to find new jobs or new markets for their products while others have lost jobs or markets" (Carr and Chen, 2002: 2). Numerous workers have seen their working conditions deteriorate, their wages decline and their workloads decrease. With many countries pursuing capital-intensive growth, employment becomes reserved for those who are skilled and

educated, those people that do not fall into these categories are left behind and they are the ones that tend to seek employment in the informal economy.

It is argued that the concept of the informal economy was first introduced by Hart in 1971 at a conference at the University of Sussex. However there are researchers who trace the concept of the informal economy right back to the years of the Great Depression and the Second World War. Researchers (Jagannathan, 1987; Portes *et al*, 1989) have examined the way economies have grown and failed over time, and how this has resulted in the formation of the informal economy. During the industrialization process, unemployment was high, where the supply of labour was well below its demand and this led to people seeking other forms of employment opportunities. According to Moser (1978) immense poverty, underemployment and unemployment in urban areas was due to the inability of the industrialization process to absorb large numbers of unskilled workers into the productive labour force.

## **2.3. TERMINOLOGY AND INTERPRETATIONS**

### **2.3.1. Informal Economy and Informal Sector**

One of the most difficult tasks is to define what the informal sector is, and to come to a consensus on a standard definition that everyone accepts. This is because in different societies and in different developmental perspectives there are different interpretations on what the concept of an informal sector means. For example, in developed countries the informal economy can be associated with high profits, growth and development, whereas in underdeveloped countries the informal economy may be related to survivalist strategies and little growth.

An earlier attempt to define the concept of the informal economy reads as follows: "The informal sector is constituted by those units and unorganized individual workers who cannot, in the main, take advantage of the formal, organized market for capital, inputs or outputs or other services like training.

Such units and individuals are forced to operate in a different market where they have to pay significantly higher prices for whatever they purchase, be it inputs or services, capital or even consumer goods, while receiving significantly lower prices for whatever they sell, be it goods or services or labour power” (Bose in Krige, 1985: 7).

Initially the term informal sector was used to describe all the activities that were informal, however, as time progressed, it was realised that the informal sector was narrowly defining informal activities and therefore the term informal economy began to be used more widely. The term informal economy is preferred over the term informal sector because it is more flexible and more encompassing. Informal sector can include one part of the informal economy. Over the years, the informal economy has acquired different names such as, the unrecorded economy, peripheral sector, hidden economy, subsistence sector, micro-enterprise economy, squatter settlements and the urban poor (Martins and Ligthelm, 1995).

There are some common grounds with which most of these sectors align themselves to. A common view is to distinguish between people who are self-employed and those who earn a formal wage. The self-employed people are those belonging to the informal economy and the people that earn a formal wage are those from the formal economy. However this conception may cause confusion because not all people who are self employed may belong to the informal economy, for example people in possession of their own formal business, other self employed professionals, etc. may be self employed but they may not necessarily belong to the informal economy. Bromley (1979) looks at the informal economy as being unprotected whereas the formal economy is the protected sector against a backdrop of rules and regulations that guides it. This provides a distinction as to how the formal and the informal economies are viewed. On the one hand the formal economy is directed by proper policy whereas, the informal economy is plagued by an absence of clear policy guidelines.

Portes *et al* (1989) look at the informal economy not from an individual perspective but as a process of income generating activities that centre around one main characteristic that, "it is unregulated by the institutions of society, in a legal and social environment in which similar activities are regulated" (Portes *et al*, 1989: 12). This view creates a clear distinction between the formal (regulated economy) and the informal (unregulated economy). Many researchers argue that the concept of an informal economy came into being because of the existence and presence of a formal economy. However, the distinction that can be made between the formal and the informal economy is not on what the final product turns out to be, but on the way in which this product is produced and exchanged. In this sense the final product can be the exact same thing produced in both economies, but the difference is the way that this product is marketed and sold. The relationship between the formal and the informal economy in society can be viewed as a dualistic one. On the one hand, the informal and the formal economy can share a symbiotic relationship whereby each can benefit from one another; on the other hand there can be severe tension, competition and rivalry between the sectors. "The formal sector and the informal are thus linked with each other in an exploitative relationship through which the informal sector is forced to subordinate itself to, and to serve, the formal sector directly and indirectly. This has been perpetuated by the extreme lack of organization on the part of the informal sector and the formal sector's dominant control over the state machine" (Bose in Krige, 1985: 7). The analysis of the case study yields some useful results which are presented in chapter four.

According to Hall and Pfeiffer (2000), the informal economy includes a range of heterogeneous activities such as petty trade, gambling, small-scale manufacturing and retailing, transport and security services. There are also those illegal activities which include drug trafficking, prostitution, etc. This heterogeneity causes difficulty for policy makers to implement and adopt rules and regulations on a range of these diverse activities. It is widely recognized that the informal sector are small enterprises consisting mainly of self employed producers and retailers or in some cases hiring workers which are most of the time from the family. The informal sector is extremely diverse and

it exists in many economic sectors including trade, services, manufacturing, construction, transport, and urban agriculture. They operate with very little or no capital and they use very little technology and professionally trained personnel.

An important characteristic that can be distinguished in the South African informal sector is that between survivalist enterprises and growth or expansion enterprises. Survivalist activities take place so as to meet the basic needs necessary for survival, whereas growth enterprises operate so as to achieve a profit and expand its networks. The majority of South Africa's informal sector is dominated by survivalist activities. This form of activity exists mainly in rural areas and in the townships where the purchasing power of individuals are low. Growth enterprises on the other hand exist mainly in cities where the purchasing power of individuals is much higher. Examples of this include the informal activities in the Warwick Junction Area, West Street and along other major intersections in the CBD of Durban. In the Durban Metropolitan Area, both survivalist and growth enterprises can be seen to exist together.

### **2.3.2. Differences between the Informal Economies in Developing and Developed Countries**

The informal economy in the international arena can be divided into two sections, those in developing countries and those in the developed countries. There are many examples of the informal economy in African and other third world countries like Kenya, Mexico and Uruguay. These developing countries display different forms and types of informal activities that are to be found in most developing countries. The informal economies in third world countries are attributed to traditional forms and practices; also a high emphasis is placed on the poor quality of infrastructure. Attention is given to the notion of rural urban migration and the informal institutions that are present there. The informal economy in developing countries focuses on lower order goods such as food, clothing and curios. This kind of informal economic activity applies to

this research. Most of the attributes of informal economies in developing countries can be observed in Westcliff.

In developed countries like United States of America, Canada and Britain, the informal economies are different to those that are prevalent in developing countries, however they display a few similarities. In these advanced countries, attention is placed on immigrants from other countries participating in the informal economy and the problems associated with this. Immigrants are found in large numbers in the informal economy making it difficult for the local people to secure a place in this economy. The informal activities in developed countries place more emphasis on the sale of higher order goods such as computer software and arcade games. Literature reveals that there is competition between formal and informal economies in both developed and developing countries.

### **2.3.3. Street Trading in the Informal Economy**

The most common activity in the informal economy is street trading. "In cities, towns and villages throughout the world, millions of people earn their living wholly or partly by selling a wide range of goods on the streets, sidewalks, and other public spaces" (International Labour Organization, 2002: 7). Trading is the exchange of goods and services either through the process of sale or trade. With the advent of malls and departmental stores, there was a conception that street trading would fade away. However, on the contrary, street trading has expanded in most parts of the world. The words trading and vending are used interchangeably in different pieces of literature, however they mean the same thing.

Street traders sell a variety of different goods, but one of the most common and popular goods sold are fresh produce. Witt (2000) argues that fruit and vegetables are a good choice for street traders because it forms part of the daily diet of most people. Street traders minimize the risk of losing out on the fresh produce that is not sold by consuming it themselves. Trading in fresh produce is common also because, 'start-up capital costs for traders wishing to

trade in fresh produce are also relatively low' (Witt, 2000: 25). There are also those street traders who do not sell goods but instead provide a service to their customers. These include shoe repairs, hairdressers, car washers, car repairs and garbage pickers.

Street traders face problems with the storage of their products that they sell. Many of them pay extra charges for overnight storage, others face the problem of commuting with their products on a daily basis (Skinner, 2000). The Durban Municipality has decided to address this problem by providing storage spaces for informal traders in the Warwick junction area. The council has realized the difficulties that traders face in commuting their goods on a daily basis because of fear of theft. Where there are no storage spaces and traders cannot commute their goods, they tend to reside where they sell. This presents new problems of unhealthy and unsightly conditions. This is also evident on the streets of the central business districts of Durban and Johannesburg.

Street traders locate themselves along strategic transport nodes and networks (Lund *et al*, 2000). In this way, they can be in contact with a maximum amount of people. There is an ideology of locating street traders where there are 'passing feet'. In this instance, street traders will locate where there will be a demand for their goods and services, where there are high volumes of traffic.

Trading on the streets is often viewed as being a nuisance or obstruction to the flow of traffic or other formal businesses. 'Up until the late 1980s in South Africa it was very difficult to get a license to trade and the laws required that street traders relocate continuously' (Skinner, 2000: 60). During the 1970s and 1980s, street traders were subjected to continuous harassment and interrogation in order for them to relocate. In many cases their goods have been confiscated and not returned, or have been destroyed. Traders were not allowed to trade within an urban environment. Police often fined and jailed illegal traders. However, in the late 1980s and through the 1990s, street traders were less harassed and they now have more choice of location.

It is difficult to obtain official statistics for street traders because there are many factors that hinder this process. There are inconsistencies when counting the number of traders in a particular area because some traders trade at different times of the year and some at different times of the day. There are many traders who trade during particular seasons and occupy themselves with different activities during other seasons. According to the 2000 Labour Force Survey in South Africa, there were approximately 323 000 and 23 000 food vendors and 122 000 non-food vendors. The census data for the year 1997 recorded 19 000 street traders in the city of Durban alone. Recognizing gender imbalances, this survey documented 61% of street traders in the Durban area were women while 39% were men (International Labour Organization, 2002).

‘For some, street trading may be more than merely a daily income generating activity. Instead it allows traders to regain a sense of worth, independence, and of contributing to the broader welfare of the community’ (Witt, 2000: 40). For many people, street trading has become a way of life, part of their social and economic duties of living an every day lifestyle. Street trading “represents a feature of traditional societies that has survived, adapted, or re-emerged in modern” societies (International Labour Organization, 2002: 7).

## **2.4. LABOUR FLEXIBILITY**

It is important to understand the working conditions that prevail in the informal economy. Labour flexibility can be broken down into three different aspects; flexibility of time, place and conditions. Flexibility of time looks at the different hours and days that a person works for. This can be either part-time or full-time. In the informal economy people work irregular hours where there are no start and finish times. Flexibility of place is where the actual work is carried out. People can either work from home, a work place, or can be constantly moving about as in the case of some street traders. Flexibility of conditions looks at the kinds of contracts that people have in terms of their employment conditions. Some workers may have a fixed contract, some may be paid by the day and others may be paid by the hour. Contracts may be formal in

writing, or may be informal by word of mouth. Payment by the day is the most common form of an informal employment contract.

Working in the informal economy involves all these aspects of labour flexibility. Flexibility can provide the opportunity for people to work different hours in different places during different times. At the same time flexibility can allow people to have several different jobs in order to earn a living.

## **2.5. SIZE AND SCALE OF THE INFORMAL ECONOMY**

The informal economy makes a very significant contribution to the national economy of a country. However, little of its contribution has been measured due to difficulties in recording a sector that is not registered or licensed. It is also difficult to obtain records from the illegal activities that could take place in the informal economy.

Looking at growth patterns of the informal economy from times of its inception, it can be seen that considerable growth has taken place over the years. In the early days of its development, the informal economy has made very significant impacts to the national economy of the country. According to Preston-Whyte and Rogerson (1991), the 1, 84 million people in the informal sector contributed R5, 9 billion to the economy for the year 1985. This statistic was low because it excluded the informal activities in white residential areas during that time. In a more recent survey on the impact of the informal economy on the creation of employment, the Durban Unicity reports that “there were about 20 000 street traders in the Durban metropolitan area and about 60% of these were women,” in the year 1996 (Durban Unicity Council, 2001: 3).

The table below provides a recent account of the size of the informal economy in three different continents. All recent statistical data distinguishes between employment in the agricultural and non-agricultural sector because the agricultural sector comprises a large segment of the informal economy. It is therefore necessary to distinguish between both these sectors. The figures in each of these continents are fairly high because the countries that constitute

them are considered developing. As can be seen in table 1, more than half of totally employed workforce in all three continents belong to the informal economy. For Africa and Latin America the informal economy has created 93 and 83% of the new jobs respectively.

**Table 1: Size of the informal economy**

	Latin America %	Africa %	Asia %
Total Employment in the Informal Economy	66	90	90
Non Agricultural Employment	57	75	63
Urban Employment	25	61	40-60
New Jobs	83	93	N/a

Source: Chen, 2001 in Skinner, 2002 :13

Statistics for developed countries are less prevalent but it is widely noted that in these countries the informal economy is also on the increase. In a developed country such as Canada, temporary employment accounts for nearly 10% and part-time employment for 11% of the total employment. The United States has 42,5% temporary employment rate and an 18% part time employment rate in relation to the total employment in the country (Skinner, 2002). Informal activity in developed countries is not as high as that in developing countries, but it forms a very significant part of the labour force. Against this background, it is important to look at the progress of informal economies over the last decade and its current trends throughout the world, especially in South Africa.

Statistics on the informal economy in the South African context also reveals significant levels of growth from the early days of its inception. Table 2 compares the occupations of people in the informal economy between the years 2001 and 2002. It also shows the level of increase or decrease that took place between these years. However, as can be seen in Table 2, there was a drop in most of the occupational sectors between the two years, the only sectors that has had an increase are the agricultural and fisherie workers. The increase and decrease of the various sectors can be attributed to the

economic shifts that were taking place during the time. In total there were approximately 23% of the working force that was reduced in the informal economy.

Table 2: Informal Economy by Occupation for 2001 and 2002 in South Africa

<b>OCCUPATION</b>	<b>2001</b>	<b>2002</b>	<b>INCREASE/ DECREASE</b>
Legislators, senior officials, managers	79 000	81 000	2.5%
Professionals	25 000	17 000	- 32.0%
Technicians	132 000	71 000	-46.2%
Clerks	42 000	25 000	-40.5%
Service, shop and market sale workers	625 000	332 000	-46.9%
Skilled agricultural and fisheries workers	684 000	815 000	19.2%
Craft and related trade workers	518 000	410 000	-20.8%
Plant and machine operators and assemblers	118 000	90 000	-23.7%
Elementary occupations	1091 000	717 000	-34.3%
<b>Total</b>	<b>3 319 000</b>	<b>2 559 000</b>	<b>-22.9%</b>

## 2.6. THE INFORMAL ECONOMY IN SOUTH AFRICA

The informal economy in South Africa has been the subject of discussion from the time the concept came into being in the 1970s. Through the past three decades, starting from the 1970s and moving to the present situation, the concept of the informal economy gained greater momentum and became significantly more important as researchers and policy makers realized the role of it's contribution to society and the economy as a whole (Skinner, 2002). The informal economy was also growing at an unprecedented rate during the late 1980s and early 1990s. Many writers and researchers have conceptualized the term and wrote about it in different contexts. These include the rural, urban, local, regional and national level contexts.

“The process and the profile of the informal economy are historically specific, depending on the relationship between the state, capital and labour in each country” (Portes, 1989 in Skinner, 2002: 15). The apartheid law has created great imbalances in the labour market ensuring that certain jobs were reserved for certain people. “All labour market policies were designed to advantage big capital and white workers over their black counterparts” (Skinner, 2002:16). Racial segregation was a major hindrance for economic development during apartheid. “Strict licensing for all sectors of the economy was invented to suppress the evolution of African businessmen and women” (Wallner, 2000: 2). This contributed to the suppression of the disenfranchised during the apartheid regime. It prevented them from building capacity and becoming economically stable.

Under the apartheid regime, many street traders conflicted with the law. “Historically, South Africa’s informal economy has been both a potential source of opportunity and upward mobility for some households and individuals, and a sinkhole of exploitation for many others” (Preston-Whyte and Rogerson, 1991: 1). In 1986 the African Council of Hawkers and Informal Businesses was founded with the primary aim of addressing harassment and exploitation of street traders. There were numerous attempts from various authorities to remove them from urban areas including the city. The Group Areas Act<sup>4</sup> restricted non-whites from entering into urban areas, preventing them from establishing their business.

However, since the political transition in 1994, the South African government advocates policies of growth, integration and sustainability. In 1994 the Reconstruction and Development Programme (RDP)<sup>5</sup> guided the state to provide and ensure that the needs of the poor be addressed, including that of the informal economy. In 1995 the government gazetted a strategy to support Small Medium and Micro-enterprises in the White Paper (Durban Unicity Council, 2001). “The government identifies four categories - medium

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<sup>4</sup> Act 36 of 1966 enshrined in the constitution during that time.

<sup>5</sup> The RDP was a socialist (addressing the imbalances of the past) document that guided the government’s social and economic activities directly after the transition in 1994.

enterprises, small enterprises, micro enterprises and survivalist enterprises. It outlines concrete proposals with respect to all categories except survivalists” (Skinner, 2002:17). In 1996 the Growth Employment and Redistribution (GEAR)<sup>6</sup> policy created a forum where South Africa became a global player in the world. With privatization and trade liberalization, companies were restructuring resulting in formal employment opportunities decreasing. Employment was shifting from formal to more flexible forms. People in search of income looked at alternate ways of making a living. Thus the informal economy began increasing rapidly.

“The range of informal employment activities recorded in South African literature is extensive” (Preston-Whyte and Rogerson, 1991). South Africa has numerous informal economic activities that are in existence. These activities range from shoe shiners to pirate taxi drivers to sheeben-owners. Street trading is the most common form of informal activity in the informal economy throughout the world including South Africa.

Literature on the informal economy in South Africa focuses on government policy and regulation, management tools and the different problems faced by this sector. There are also various case studies (Skinner, 1999, Witt, 2000 and Durban Unicity Council, 2001) that have been investigated such as the Warwick Avenue and the Durban beachfront. These are of relevance to the research where findings from the various case studies has been drawn upon so as to reflect on this research.

## **2.7. RELATIONSHIP BETWEEN FORMAL AND INFORMAL ECONOMIES**

According to Hall and Pfeiffer (2000), the informal economy can never be classified as being totally informal because activities that may start of as being informal can become formal over time. The opposite is also true, where activities that may be formal in the beginning, can end up as becoming informal. “The formal and informal parts of the economy are mutually

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<sup>6</sup> GEAR was the policy that followed from the RDP in 1996. It proposed liberalization and free market policies.

interdependent. The good health of one depends on the good health of the other” (Durban Unicity Council, 2001: 3). The formal sector can provide support and opportunities for growth and development of the informal sector. On the other hand they can also act as capitalist structures whereby they dominate and exploit the informal sector as argued by the Marxist theorists. Rogerson (1996) argues that the demise of the formal economy results in a greater number of participants in the informal sector. He also looks at the informalisation of the formal economy. This view suggests the co-existence of both these economies, whereby they can supplement each other.

“Many workers in the lower segment of the formal sector have as little job security as informal sector workers and receive even smaller wages, and this causes people to move gradually from the informal to the formal sector” (Hall and Pfeiffer, 2000: 72). There are also those workers who have lost their formal jobs, tend to seek employment in the informal sector. Many new comers into the labour market are forced into the informal economy because of the difficulty to find formal jobs. With the world population increasing, competition rises and this creates pressure on formal employment, and makes entry into the formal labour market harder as time progress.

From Table 3, it is evident that the informal sector is on the increase as recorded from the year 1997 to the year 2001. Over the years the number of people in the informal sector began to increase significantly. However, if one looks at the trends in the formal sector, it is evident that the numbers have stagnated during this period notwithstanding population growth<sup>7</sup>. The table also reflects that the unemployment rate is drastically increasing.

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<sup>7</sup> Although the population was increasing leading to more people beginning to enter the labour market, the trend in the formal sector employment remained the same during this period.

Table 3: Formal and Informal Economy Labour Market Trends, 1997-2001

	OHS 1997	OHS 1998	OHS 1999	LFS Sep 2000	LFS Sep 2001
<b>Formal</b>	6,405,953	6,527,120	6,812,647	6,841,877	6,872,924
Commercial agriculture	495,530	726,249	804,034	666,940	665,941
Subsistence agriculture	163,422	202,290	286,856	964,837	358,983
<b>Informal</b>					
	965,669	1,077,017	1,573,986	1,933,675	1,873,136
Domestic Work	992,341	749,303	798,524	999,438	915,831
Unspecified	70,986	107,966	92,905	305,797	146,000
Total employed	9,093,901	9,389,946	10,368,951	11,712,565	10,832,816
Unemployed	2,450,738	3,162,662	3,157,605	4,082,248	4,525,309
Not eco active	13,960,772	13,156,940	12,752,967	11,100,135	12,006,413
Total not employed	16,411,510	16,319,602	15,910,572	15,182,383	16,531,722
Total Pop, age 15-65	25,505,411	25,709,548	26,279,523	26,894,948	27,364,538

Source: Devey, Skinner and Valodia, 2002

(LHS) refers to the Labour Force Survey (2000-2001) used by Statistics South Africa to collect data.

(OHS) refers to the October Household Survey (1997-2001) used by Statistics South Africa to collect data.

Rogerson (1996) argues that the formal economy is finding it increasingly difficult to absorb new entrants into the labour markets. The formal economy goes through long periods of recession and this affects the labour markets in both the formal and informal sectors. As a result of this recession, many people are retrenched. Those people who are unemployed in the formal

sector tend to look for solutions in the informal sector. The informal sector therefore constitutes people not only from the rural areas but also those who are stable residents in urban areas. After serious economic crisis in the formal economy, many people are forced to earn a living in the informal sector. As mentioned above, an important link that occurs between both sectors is the informalisation of the formal economy. This is a mechanism that allows many of the formal sector jobs to be contracted out to the informal sector. In this way the formal economy can bypass the rules and regulations that are subjected to it in normal circumstances. It can thus exploit labour in the informal sector. For example in the clothing sector, much of the production is out-sourced or contracted out where labour is cheap and formal employment contracts do not have to be signed.

There are those people who enter the informal economy out of choice and not a consequence of it being a last resort for them. Most employment in the formal economy requires one or more of the following, formal education, skills, resources and experience. The informal economy on the other hand, requires little or no education, skills, resources or experience. This makes it much easier for people to do informal work. A common view is that the informal economy is an easy way out for people trying to escape the requirements needed for the formal economy. Subsequently, engagement in the informal sector is perceived as being suitable for those from the lower rungs of society compared to those in formal employment. In Westcliff there are many successful people that have chosen to enter the informal economy out of choice and not as a consequence of it being a last resort.

Table 4. provides statistics for the different occupational categories present in the formal and informal economies in South Africa. As can be seen, occupations that require high levels of skill (management, professional and technical positions) are dominated by people in the formal economy. Those occupations that require semi-skilled (craft and shop workers) and unskilled work (elementary occupations) are dominated by people in the informal economy (Devey, Skinner and Valodia, 2002).

Table 4: Number and Percentage Formal and Informal Workers, by occupation in South Africa.

	Formal	Informal	Formal	Informal
Management	580,914	63,307	8.5%	3.4%
Professionals	460,214	20,016	6.7%	1.1%
Technical	1,043,003	91,121	15.2%	4.9%
Clerks	1,047,452	32,793	15.3%	1.8%
Service and shop workers	991,052	378,527	14.4%	20.2%
Skilled agriculture	50,637	128,593	0.7%	6.9%
Craft related occupations	911,351	478,310	13.3%	25.6%
Plant and mechanical operators	876,472	87,312	12.8%	4.7%
Elementary occupations	900,577	590,416	13.1%	31.6%
Total	6,861,672	1,870,395	100.0%	100.0%

Source: Devey, Skinner and Valodia, 2002

In most cases, the formal sector exploits the resources in the informal economy. It is apparent that the informal sector is marginalized in terms of resource allocation and support. Therefore, assistance and guidelines to ensure its growth and success, is not forthcoming. A common reason for this is that many informal sectors have no representative structures to voice their concerns and problems. People in the informal economy do not express their opinions, for fear of being prosecuted by the law. Unlike the other provinces in South Africa, the eThekweni Municipality in KwaZulu-Natal has taken proactive steps in implementing proactive policies to assist informal workers with improving their conditions and status.

The majority of the formal sector in the economy regards the informal economy as being illegal because of the unregulated manner in which it operates. Small formal businesses complain because the informal economy competes directly with them. They argue that the informal economy is not subjected to tax and rent, and this creates a comparative advantage for

informal businesses. There are also many cases where the informal economy sell and trade goods cheaper than that of the formal sector. In the case of Westcliff, there are formal businesses located next to the informal sector and they trade similar goods. This point will be further explored in chapter four.

## **2.8. GENDER DISCRIMINATION IN THE INFORMAL ECONOMY**

There are extensive bodies of literature worldwide focusing on the issues of gender in the informal economy (Skinner, 1999 and Lund *et al*, 1999). The issues relate to the conditions that women face and the policy options that are available to assist them. The literature depicts the types of jobs these women are in, in relation to those that men occupy. South African literature provides statistics and the breakdown of women in the different parts of the informal economy (Skinner, 1999).

“It is now well documented that worldwide more women than men participate in the informal economy” (Skinner, 2000: 58). The representations of women together with their economic contributions are underestimated in statistics because a lot of activities that are carried out by them are difficult to record or are not recorded at all. Trading in the informal economy is a challenge, but it is an even bigger challenge if you are a women not equipped with the necessary skills, training and education. Table 5. indicates that men earn significantly more than women in the informal sector. As can be seen, higher up in the income ladder women earn half as much as their male counterparts, but they dominate at the lower rung of income earnings.

Table 5: Earnings of informal economy workers

	Male	Female
None	3.8%	7.5%
R1-200	12.2%	27.2%
R201-500	24.6%	28.3%
R501-1 000	23.9%	19.3%
R1 001-1 500	11.3%	6.3%
R1 501-2 500	11.7%	5.1%
R2 501-4 500	7.7%	4.1%
R4 501-11 000	4.1%	1.8%
R11 001+	0.7%	0.3%
Total	100.0%	100.0%

Source: Devey, Skinner and Valodia, 2002

Women are generally more prone to poverty and unemployment and this makes them vulnerable to accept jobs in the informal economy that subject them to exploitation and harsh working conditions. "Gender segregation in the informal sector means that women and men are involved in different types of activities or different employment statuses even within the same trades" (Sethuraman and Charmes, 1998). Women carry out smaller scale activities that are less profitable than their male counterparts. "Male traders are more likely to have larger scale operations and deal in non-food items, while female traders tend to have smaller scale operations and deal in food items. The former being more lucrative than the other" (Skinner, 2000: 59).

Table 6 below distinguishes between the various occupations in the informal economy by gender. It is clearly evident that men are more represented in higher forms of employment than their female counterparts (less than a third of females are in management positions than males). Women are found more in the service related occupations and the unskilled elementary occupations, while men dominate as operators.

Table 6: Proportion of Occupations in the Informal Economy, by Gender

	Male	Female	Total
Management	78.0%	22.0%	100.0%
Professionals	48.1%	51.9%	100.0%
Technical	49.2%	50.8%	100.0%
Clerks	34.0%	66.0%	100.0%
Service and shop workers	34.7%	65.3%	100.0%
Skilled agriculture	93.7%	6.3%	100.0%
Craft related occupations	75.0%	25.0%	100.0%
Operators	87.1%	12.9%	100.0%
Elementary occupations	36.7%	63.3%	100.0%
Total	54.4%	45.6%	100.0%

Source: Devey, Skinner and Valodia, 2002

## 2.9. LOCAL ECONOMIC DEVELOPMENT

Local economic development (LED) develops a specific area in terms of economic growth. This development will take place if LED policies and principles are being practiced in an area. LED can be applied in areas where there are high levels of poverty, low levels of economic and social growth, and also in areas where small businesses are thriving, be they formal or informal. LED policies can therefore be perfect tools that can be used to assist the informal economy and to bring about growth in this sector (Nel, Hill and Elsing, 2002).

“Key however to the long term future of the area and its residents is the need to ensure that a sustainable economic base is created to ensure the economic well-being of residents and generate funds to finance future social and other programmes” (Nel, Hill and Elsing, 2002).

The above can be applied to the informal economy in Westcliff. The informal market in this area has to build a strong economic base and if this is created, then the future social and economic conditions will be much improved than they presently are. LED can develop a holistic, sustainable, quality urban environment, in a manner that leads to the generation and redistribution of economic opportunities, builds local capacity and improves the standard of the poor (Nel, Hill and Elsing, 2002). If LED were to be applied in Westcliff, the long-term vision would be to create and develop skills, jobs, higher incomes and sustainability within these sectors and thereby developing the area holistically.

## **2.10. POLICY AND LEGISLATIVE CONTROLS TOWARDS THE INFORMAL SECTOR**

In the same way that the informal economy has many different facets, so too are policies designed to manage and control activities in this sector. This implies that no single policy can exist in isolation. Policy makers must be sensitive when applying policies and regulations towards the informal economy.

It is important to distinguish between survivalist strategies and growth enterprises so that the right policy can be channelled to the right sector. As has been established, growth enterprises exist to make a profit whereas survivalist enterprises operate to make a living. Policy can therefore provide a framework that encourages and promotes higher levels of expansion in the growth enterprises, and can provide a coherent framework that allows survivalists enterprises to develop and become more competitive.

It is difficult for those who are enacting policy to decide whether the activities in the informal sector should be regulated or not. The South African government has placed much emphasis on the informal sector. The South African Constitution mandates local governments to promote economic development (Durban Unicity Council, 2001). Through the Reconstruction and Development Programme (RDP) the growth of the informal sector was

considered important in boosting the countries economic and social conditions.

There are currently two pieces of legislation governing street traders in South Africa. These are the Business Act 71 of 1991 and the Municipal Notice 96 of 1995. These two acts provide the context which allows the informal economy specifically street trading within each province to be regulated and managed. The Unicity of Durban has taken a proactive and progressive developmental approach to the informal economy in the Durban and surrounding area. This can be seen by the informal economy policy developed by the Durban Unicity.

Often policy makers have to decide on whether to protect the needs of the local authorities and the formal economy or, to provide support for the development of the informal economy. Local authorities argue that their job is to keep urban areas aesthetically clean and attractive to all its users (Beavon, 1989). Local authorities must prevent hawkers and other traders from blocking the pavements and streets or it will result in increasing levels of traffic. By doing this, the informal sector argue that policy makers favour the formal markets over theirs.

There are very few South African cities that have passed the stage of deregulation (Rogerson, 1996). Much of the formal sector argues that the informal sector should be regulated and licensed so that they can operate smoothly, and much of its illegal activities can be stopped. In South Africa and other parts of the world, informal activities occur where there is a demand for their market. As a result, there are high levels of congestion and unfavourable working conditions. The informal sector should be regulated but not in a manner that would hinder its growth or result in its demise. Caution must be applied when regulating this sector.

## **2.11. CONCLUSION**

Conclusion gleaned from statistics presented in this chapter, indicates that the informal economy has made significant contributions to the Gross Domestic

Product (GDP) of South Africa. It can also be seen that there are a significant number of workers that are active in the informal sector who are contributing to the economy of the country. Through this, the informal sector can boost the economic conditions of a country. In South Africa and other developing countries, the informal sector provides for millions of people wanting to meet their basic needs for survival. It also provides for those wishing to expand their existing business.

“However, to date, few policy makers have explicitly addressed the opportunities and constraints faced by informal producers/workers in the context of global integration and competition” (Carr and Chen, 2002:1). The informal sector is already an influential sector in the economy, hence policies have to be well structured in order to formalise and control activities. These policies need to distinguish between growth and survivalist enterprises and need to focus on issues of gender inequality and constraints within the informal economy.

# **CHAPTER THREE**

## **METHODOLOGY**

### **3.1. INTRODUCTION**

This chapter describes the study site and details the various ways in which data was collected. The chapter concludes by reporting on constraints and limitations that were encountered in the field.

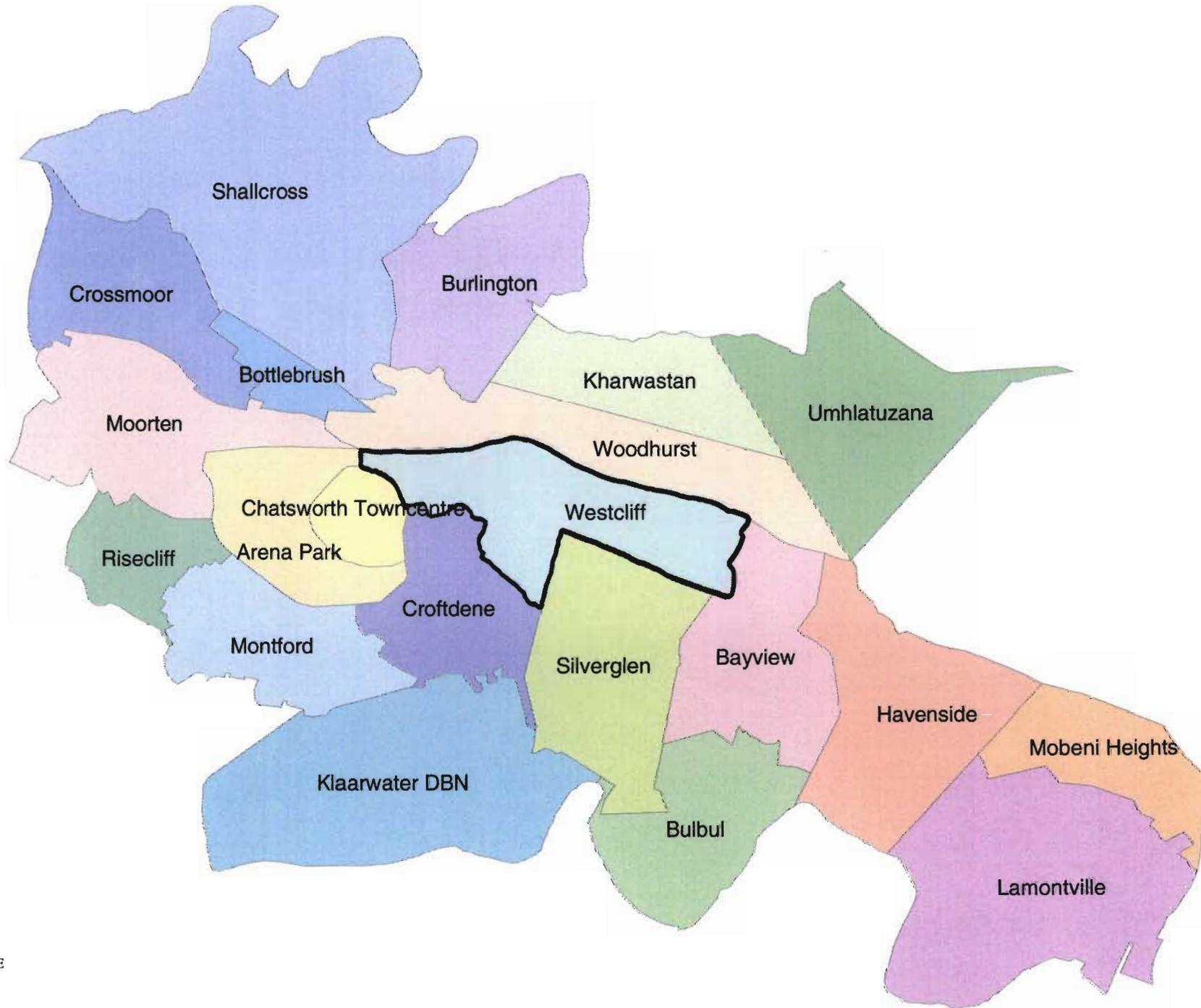
### **3.2. LOCATION OF THE CASE STUDY**

The area under investigation is the Bangladesh Market within the residential area of Westcliff located in the suburb of Chatsworth, Durban. As can be seen in Map 1, Chatsworth is located in South Central Local Council of the greater Durban Metropolitan area. The area lies approximately 25 kilometers south of the city of Durban. This area has direct access routes north leading towards the Durban's CBD and South towards the industrial areas of Clairwood and Mobeni. Surrounding Chatsworth are the residential areas of Queensburgh, Malvern, Shallcross, Yellowwood Park, Umlazi and Lamontville. "The area is characterized by undulating topography which affects planning of the town, creating steep road verges affecting access to properties and road side parking and it also places restrictions on the citing of certain types of activities" (Naidoo, 1999: 38).

Map 2 presents all the units in Chatsworth. As can be seen, Westcliff is approximately at the centre of the area east of the Town centre. The Town centre is where the major shopping complex is situated. All units are linked to one another by a good transport system.

Map 3 displays an aerial view of the Westcliff Business Centre within which the Bangladesh Market is situated flanked by formal businesses and the surrounding residential area.







PROPOSED DEVELOPMENT

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### **3.3. METHODOLOGY**

The research methodology used both primary and secondary sources.

#### **3.3.1. Secondary Material:**

This part of the study entailed a literature review of the informal economy in general and the way it operates in South Africa and Durban in particular. Newspaper articles and research done on informal work in the Durban Metropolitan region has been examined. The eThekweni Municipality Policy on informal traders, case-studies and pilot projects for different areas were also referred to. Minutes of meetings, circulars, notices and other printed material relating to the Bangladesh informal market were examined. The purpose of this was to set up a conceptual and contextual framework for the study.

#### **3.3.2. Primary material:**

##### **3.3.2.1. Interviews**

At the outset five categories of stakeholders were identified by on site visits and discussion with members of the Bangladesh Market Association, these include:

- The informal traders from the Bangladesh Market
- Members of the Bangladesh Market Association and member from the Council including planners, officials and politicians
- The surrounding residents of the Market
- The surrounding businesses of the Market
- The clientele/customers of the Market

A separate interview schedule was designed for each category (refer to Appendices 1 to 5).

The structure of interviews was as follows:

In-depth interviews were carried out with ten informal traders, cognisance was taken of gender and age when selecting respondents to ensure equity and a more inclusive viewpoint. Semi-structured interview schedules<sup>8</sup> were used. This rendered the interviews neither static nor uniform allowing the researcher to be both flexible and systematic when addressing the research questions (Do Rego, 1995). This enabled the researcher to gain access to more information by probing questions and responses in order to stimulate discussions.

Two key members from the Bangladesh Market Association were interviewed, the president and a representative member from the disadvantaged (African) trader category. A semi structured interview schedule<sup>9</sup> was used. Twenty-five residents surrounding the informal trading area were interviewed, employing the stratified sampling method of selection. These were in-depth interviews using structured questionnaires<sup>10</sup>. Fifteen semi-structured interviews<sup>11</sup> were carried out with the formal businesses surrounding and adjacent to the Market area. A semi-structured interview schedule<sup>12</sup> was executed with twenty five customers of the informal market.

### **3.3.2.2. Sampling Technique**

Due to time and research constraints the sizes of each sample were smaller than the researcher initially planned. However it was considered important from a methodological perspective to interview people in all of the stakeholder categories described above. In order to get a variety of respondents in the questionnaires for the informal traders, a stratified sampling technique was used because there are people selling different products like vegetables, chicken, clothing, curios and jewellery. A stratified sampling technique in this

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<sup>8</sup> Refer to appendix number 1

<sup>9</sup> Refer to appendix number 2

<sup>10</sup> Refer to appendix number 3

<sup>11</sup> Refer to appendix number 4

<sup>12</sup> Refer to appendix number 5

way allowed the researcher to obtain an equal number of respondents from the different categories that were present. "The ultimate function of stratification is to organize the population into homogenous subsets (with heterogeneity between subsets) and to select the appropriate number of elements from each" (Babbie and Mouton, 2001: 191).

For the twenty-five residents, the researcher employed a systematic sampling method. The Bangladesh Market is enclosed on three sides by residential houses and on one side by residential flats. The stratified sampling method allowed the researcher to select an equal number of houses on the three sides of the residential area as well as providing a representative sample of the residents. The method that was used for selecting homes was to interview all the front line houses in relation to the Market into the sampling frame. This proved to be more effective because those houses that are closest to the Market have been most affected by the Market activities.

The twenty-five customers were randomly chosen and interviewed at the two main entrances of the Market. Customers were chosen after they had visited the Market and purchased goods because some of the questions related to the goods that were bought on that day.

The criteria used for selecting the formal businesses were those businesses that traded similar goods to that being sold in the informal market. These formal businesses are in very close proximity to the informal market. Before the actual fieldwork was conducted, the researcher interacted with many of the formal businesses and observed that they had been affected by the informal market either in a positive or negative manner. It was also noticed by the researcher, prior to the commencement of fieldwork, that many of the clientele supported the informal market instead of the formal businesses on the weekends. These factors motivated the researcher to investigate the relationship between these two sectors existing side by side.

### **3.3.2.3. Interview process**

The units of analysis are; the Market, the dynamics surrounding informal traders as well as the adjacent formal businesses and residential areas. Data collection entailed travelling to the study area on a weekly basis since the Market only operates twice a week (Fridays and Saturdays). The interviewer established contact with the interviewees by introducing the case study and highlighting the purpose of the study, also by suggesting that the research could have a positive impact on their trading activities. This created a comfortable atmosphere in which questions were asked. The five different types of interviews that were conducted had different time durations, ranging from twenty minutes to one hour forty minutes.

### **3.3.2.4. Participant Observation**

This took the form of observing what happens and when it happens, for example the busy and quiet times of traders, who are the clients and what are the contributing factors to the operation of this market. The researcher interacted with traders in the capacity of a customer, which revealed interesting marketing strategies and dynamics.

The researcher visited the Bangladesh Market several times in order to execute fieldwork. The researcher was at the market on Fridays and Saturdays during all parts of the day. This allowed the researcher to gain insight on the dynamics of informal trading at the market.

## **3.4. CONSTRAINTS AND LIMITATIONS**

Although the field-work has yielded some very interesting information on the dynamics of informal trading in the Bangladesh Market, there were limitations and constraints that were encountered during the course of the study. Travelling to the site twice a week for six weeks was time consuming and costly.

Some of the traders were hesitant to disclose all the information needed fearing discrimination although confidentiality was ensured at the outset by the researcher. Traders were also busy serving customers and this made it difficult for the researcher to carry out the interviews with them.

The study was conducted in the confines of informal trading in the Market and in the car park surrounding the Market. The research may therefore be limited to be analysed in terms of these boundaries.

Key respondents such as the two members from the Bangladesh Association Board were difficult to reach. One of the key respondents often cancelled appointments. One of these respondents was a full time employee engaging in market issues on a part-time basis, whilst the other board member, who was a street trader, provided very useful information, as her perspective was critical of market dynamics, which often posed as an obstacle to her business.

### **3.5. CONCLUSION**

This chapter provides an understanding of how research has been carried out in the study and it details the study area. Although there were constraints and limitations, the prescribed methodology has yielded some interesting results. These results proved to be very useful and it shall be analysed in the next chapter.

## **CHAPTER 4**

### **ANALYSIS OF INFORMAL TRADING IN THE BANGLADESH MARKET**

#### **4.1. INTRODUCTION**

In this chapter a detailed analysis of the trends and dynamics of the informal trading sector in the Bangladesh Market are recorded. This analysis includes the activities of all stakeholders in the Bangladesh Market namely the traders, the formal businesses, the surrounding residents, the clientele of the Market and members of the Bangladesh Market Association.

#### **4.2. THE BANGLADESH MARKET ASSOCIATION**

##### **4.2.1. Members of the Association**

Respondents were members on the Board of the Bangladesh Market Association. These respondents were always engaged in activities in the Market place. The key interview was carried out with the Chairman of the Association who is a principal at a nearby high school. He is the only member that does not trade in the Bangladesh Market. He has been involved with the establishment and development of the Market from its inception in 1984. Eighty percent of the respondents were traders from the Bangladesh Market. Traders across the race groups were selected.

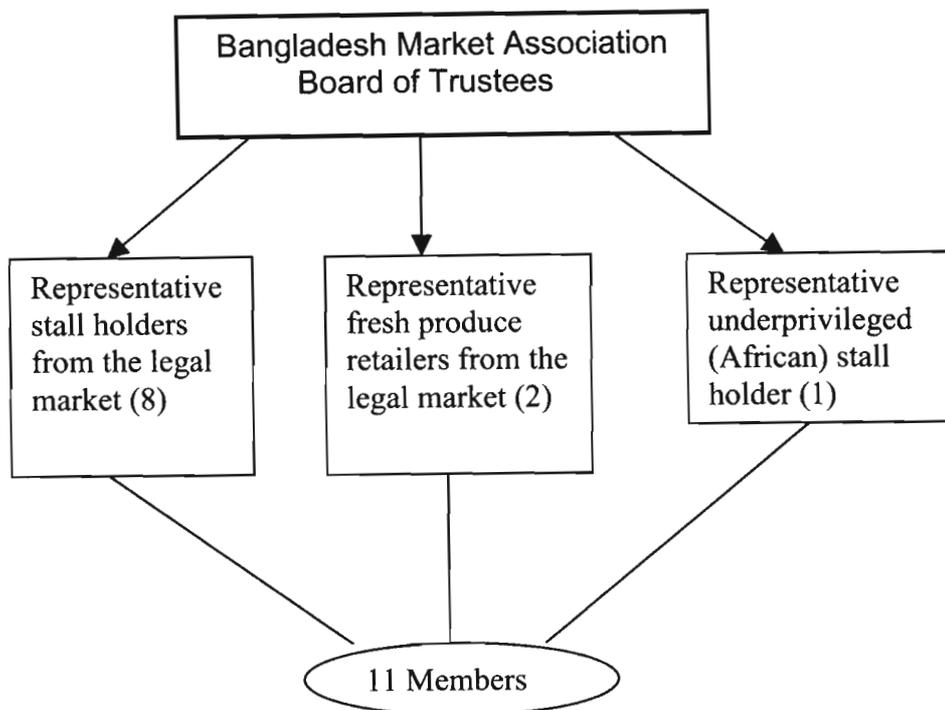


FIGURE 1: AN ORGANOGRAM OF THE BANGLADESH MARKET AND ITS STATUTORY BODY

#### 4.2.2. Establishment of the Bangladesh Market and the Bangladesh Market Association

The Bangladesh Market Association is made up of a Board of Trustees that comprises eleven members as can be seen in Figure 1. The members of the board are elected by stall-holders on a bi-annual basis. This board of trustees represents all the stallholders in the formal vending area. However, when engaging with the city council, the “legal” market vendors of the Association, the Poultry Vendors Association and the pavement Traders combine to form one united body. In this way they have greater strength in larger numbers. There is a dualistic relationship between the City Council and the Bangladesh Market Association. They work jointly to bring about development to the Market area. The Board holds four meetings per annum, one in every quarter. There is no official legal representative for the Board.

Attendance of traders at meetings are irregular, hence their contribution is not significant due to low attendance at meetings.

Bangladesh Market Association was established in 1984. Initially traders were car-park traders at the Shopping Centre which is now adjacent to the Market place, situated on Florence Nightingale Drive<sup>13</sup>. As have been established earlier, it was illegal to trade in the city and residential areas because of apartheid policies. It was a mechanism by the government to undermine all black entrepreneurs. The street traders of this area were continuously being harassed and their goods were often confiscated by the police and given to them a day or two later. These were perishable goods so they were often damaged and could not be sold after it was returned to the traders.

Noticing the intensity and the extent of the problem, a few concerned members approached the City Council requesting an area for traders to be designated. At that time the Council's undemocratic approach did not respond to the trader's request. However, members of the public and traders persisted with trade in the area where the formal shopping complexes are currently situated. They took the initiative and began to clear a vacant plot where they started to trade without any assistance from the Council. In 1984 there were approximately 100 traders who met and decided to form the Association. In 1987 the Association grew and its members began to make improvements to the Market area, for example, the area was tarred at the trader's cost.

The interest group, comprising 100 members, began to negotiate with the City Council and a formal lease agreement was entered into with the Council for the area which was to be occupied by the traders. Traders were given recognition and the space allocated for the Market now accommodated forty stalls. As time elapsed, the demand for trading in the area grew. In 1995 the number of stalls rose to three hundred and thirty. In order to be racially inclusive and empower the disadvantaged, the Indian street traders who were the pioneers of the Market decided to include seventy to eighty Black street

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<sup>13</sup> Refer to aerial photo Map 3

traders as members of the Association, where they were given spaces to trade in the Market. This encouraged disadvantaged groups to engage in market activity which was a livelihood for them.

Traders came from all parts of KwaZulu-Natal, constituting mainly Indian farmers and retailers who offered competitive prices and quality produce. By 1995 the Bangladesh Market became a lucrative business for those trading there. Subsequently the number of traders increased to five hundred and sixty. The announcement of the construction of a formal market structure was well received, as it was hope for those in need of a means for survival. The number of traders began to swell as they started to occupy the roadside leading to the Market together with the parking area with the hope that they will be allocated space in the new market structures.

The negotiation for the new formal market structure provides the traders with two options. The first as suggested by the Council is a partnership with the private sector, but this could create problems for the traders if they cannot afford to pay their bills for example, the monthly rentals. The second option is for those traders who are financially independent allowing them to enter into a contract with the Council who will subsidise part of the development. The other part of the funding is to come from the Bangladesh Market Association and jointly they will construct the Market structure to house about seven hundred and fifty traders.

#### **4.2.3. Vendors at the Bangladesh Market**

The Bangladesh Market area currently constitutes formal traders within the designated market ground, the road traders who are members of their own Association and lastly the car boot traders. At the moment there is an overflow of pavement and illegal traders who congest the parking area. As a result of this, the road leading to the Market is closed to vehicles on Fridays and Saturdays. Also during peak hours there is no parking in the car park due to the lack of space that is occupied by the illegal traders. Recently, Council served the car boot traders with an eviction notice, which was withdrawn as

intervention from politicians allowed them liberty to trade until after the Christmas season. The car boot traders pose a further problem as the Market customers patronize those most accessible to them. Hence, the stall-holders who are paying tenants, complained that they lose out on trade, because people shopped outside for convenience.

Traders and market officials claim that Bangladesh is the most viable marketplace for business, attracting traders from all parts of KwaZulu-Natal. It is also very profitable for the traders and the prices are fairly competitive for the consumers. Traders from outside the Durban region travel by taxi and they reside overnight within the Market area. They rent rooms within the vicinity to prevent them from travelling after trading hours. The surrounding residents welcome the income from the traders.

#### **4.2.4. Monthly Income, Expenses and Expenditure**

The Chairman of Bangladesh Association indicated that all administrative duties were carried out by members on a voluntary basis. Only the Treasurer is awarded an honorarium. The accounting duties have been assigned to senior school pupils overseen by a specialist teacher at the school as well as the Chairman. The financial records are audited by a registered auditing company annually. The Association boasts a credit balance with investments that generate an income for the Association. The rent which is collected by the officials of the Association from stall-holders is invested after expenses for maintaining the market place. This accrues interests.

The primary source of income for the Bangladesh Association is market rentals which began at 50c per stall in 1987. This was increased many years later to R10 per stall, which is what traders are currently paying. Rents are uniform across the board irrespective of the product being traded. The Chairman indicated that the books have never reflected any bad debts and that the Bangladesh Association is the most financially sound market association in KwaZulu-Natal (KZN). The chairman drew attention to the R6, 2 million market project which was constructed in Arena Park a neighbouring

unit, by the council. This is a “white elephant” lying vacant for some six years now due to lack of support by the traders. The main reason for this was that the traders could not afford the rent demanded by council. Hence, they preferred to trade on the street or under informal shelters. Therefore, the Bangladesh Association proposed a low-cost basic structure which will provide the necessary space and protection from inclement weather, for the new market so that it remains affordable for traders and consumers to continue supporting.

The costs of maintaining the Market premises are approximately R6 000 a month. This includes water, electricity, refuse removal and general cleaning of the Market area. Whilst traders enjoy all these facilities they are constantly and understandably complaining of shelter which inhibits trade in inclement weather. The Board’s view is that the new market structure will alleviate that problem.

#### **4.3. COMMODITY IN THE INFORMAL TRADE-BANGLADESH MARKET**

“Although street traders sell a variety of goods one of the more popular products sold is fresh produce..., trading in fresh produce is probably the most rational choice for informal traders” (Witt, 2000: 1). The array of goods that are being sold in the Bangladesh Market are diverse. The main commodities that are being traded are vegetables and fruits. From observation and interviews carried out it is clear that about 70% of the stall holders sell vegetables and fruits. The other 30% of stall holders deal with a wide assortment of items. These include groceries, cosmetics, fish, chicken, food and beverages, prayer goods, clothing, flowers, brassware, crockery, compact discs and cassettes. The organogram below shows the composition of all the traders in the Bangladesh Market irrespective of them being ‘legal’ or ‘illegal’, together with the goods that they sell.

The legal traders in the Bangladesh Market are those traders that sell their goods in the designated space provided for the traders. These traders are all members of the Bangladesh Market Association. The illegal traders are those

traders that sell in the car park area and are referred to as the car boot traders. Those traders that sell on the road leading to the Market are referred to as the pavement traders are also considered illegal traders. However, the poultry traders that sell on the road are the legal traders. They have been granted rights to sell on the road because of the large space that they require and also because of the unhygienic conditions that they create. Both the legal and the illegal traders are informal because they both do not pay taxes to the government.

Picture 1



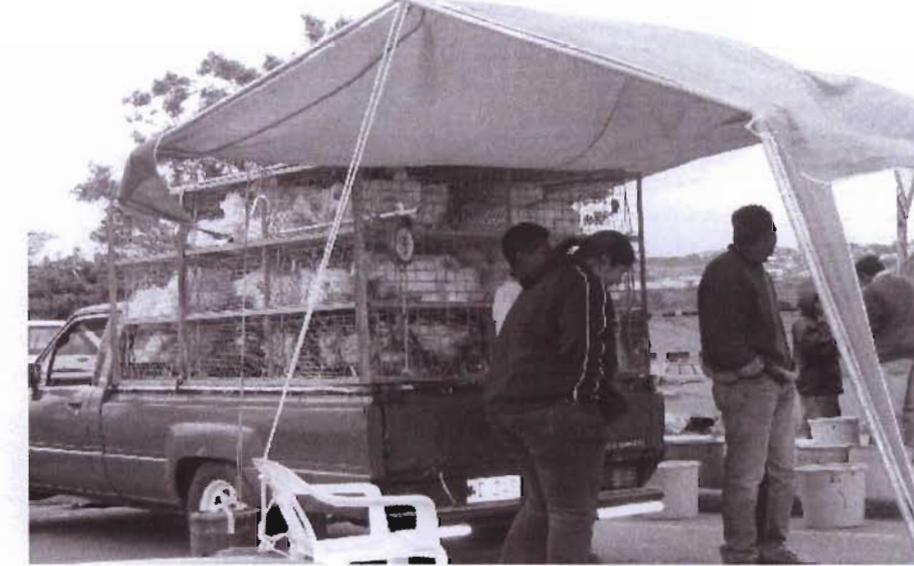
This picture shows the most common commodity that is sold at the Bangladesh Market namely vegetables.

Picture 2



Picture 2 shows the variety of cosmetics and curios that is sold at the market place.

Picture 3



Picture 3. presents a chicken trader from the car park area.

Picture 4



Picture 4. shows those traders that sell smaller commodities in order to make living. These traders cannot afford the fees for hiring tables neither can they afford to buy their own Gazeboes.

Picture 5



Picture 5. illustrates the proximity of residential flats neighbouring the Market. An exit has been provided for residents on the north wing of the Market.

Picture 6



Picture 6. is an illustration of the difficult conditions under which traders operate. Inclement weather like wind and storms destroy their structures and often prevents them from erecting it.

Picture 7



This is a picture of the entrance to the Market. It depicts the congestion during peak hours. However, the congestion gets worse during later hours of the day. It also highlights the proximity of residences and the inconvenience residents experience due to market activities on Fridays and Saturdays.

Picture 8



This a picture of an poultry trader who engages in illegal and unhygienic and foul smelling activity of poultry cleaning on the pavement along the Market. Residents and customers complain profusely, ironically she still has a market for her trade. They support her by purchasing cleaned poultry.

Picture 9



The background scene depicts the formal trading area which is almost merged with the parking area and the car-boot trading activities.

Picture 10



The above picture depicts a large chain store which is adjacent to the Bangladesh Market. On the pavement are the 'illegal' pavement traders who capitalise on the location hoping to attract costumers who are visiting the chain-store and the Bangladesh Market which is located to the right of the Picture.

Picture 11



This picture shows the parking lot opposite the Market. It is evident that whilst the space is not enough for costumers visiting the Market area it is congested further by the activities of the car-boot traders as seen above (green tent). It also captured the activity of the car-guard who operates there on trading days.

Picture 12



This picture is the view of the street leading to the Bangladesh Market. It is flanked by pavement traders with their gazeboes, restricting the flow of traffic. Traders complain that such congestion constrains the transporting of their goods to and from the Market place.

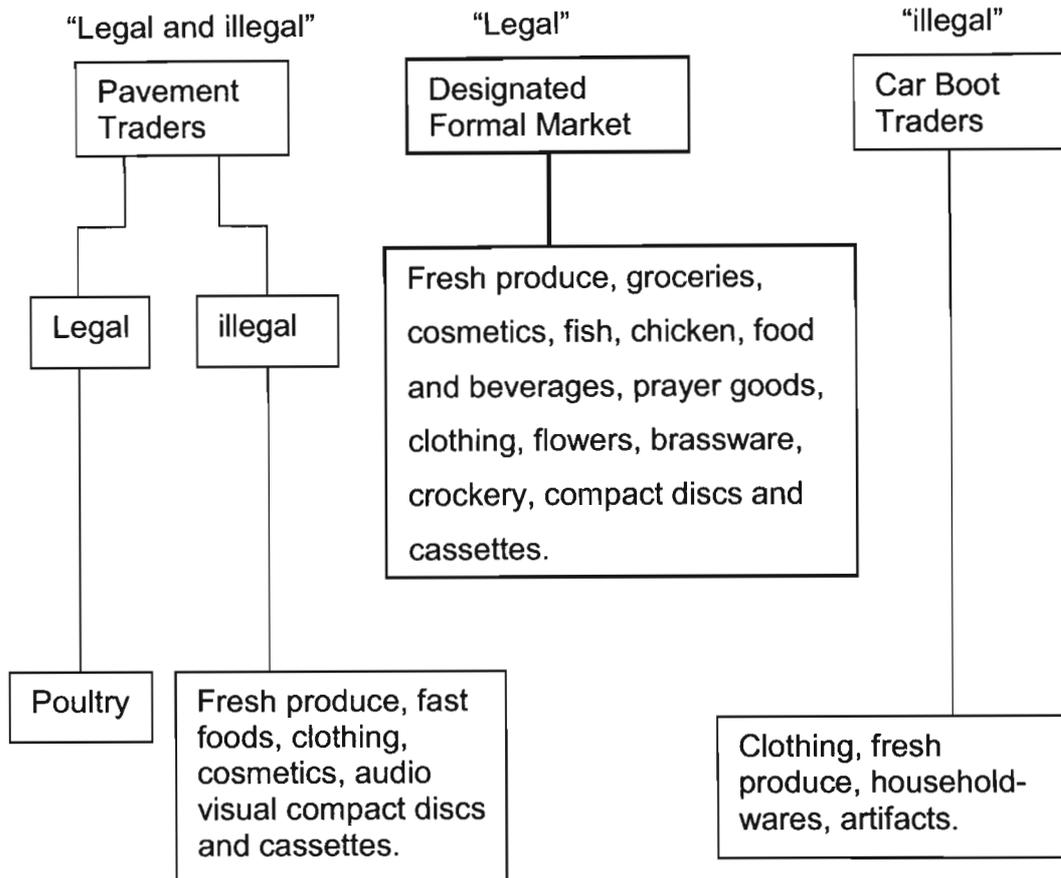


Figure 2: COMPOSITION OF THE BANGLADESH MARKET

Table 7: The number and composition of traders in the Market

TYPE OF TRADERS	NUMBERS
Legal Market Traders	330
Legal Pavement Traders	30
Pavement Traders	120
Car Boot Traders	80
Total	560

The above figures have been obtained from the chairman of the Bangladesh Association (05/11/03). The numbers for the pavement traders and the car boot traders have been estimated by the researcher.

#### **4.4. TRADERS**

The respondents of primary importance were the traders. The traders interviewed include males and females who trade at the Market on a weekly basis. They are often referred to in this study as stall-holders. They are engaged in the sale of various goods both perishable and non-perishable. Figure 2 provides a composition of the traders (both legal and illegal) together with the goods that they sell. Table 7 gives the number of traders in each category. A representative sample was taken and traders from all categories were interviewed.

##### **4.4.1. Profile of the Traders**

It was interesting to note the life histories of traders. This formed a major part of the researcher's analysis as the key area of interest was the purpose of engaging in this type of activity. The findings reveal that for most traders this was the only means of survival. The respondents are traders ranging from teenagers, middle-aged adults as well as older people between ages 50 and 60 years. Classifying traders into racial grouping from the researcher's observation at the Bangladesh Market reveals that approximately 90% of traders were "Indians" and 10% "African".

##### **4.4.2. Supply, Suppliers and Reliability**

The links and distributional chains within the informal market are evident. Traders source their goods from a variety of different suppliers. Suppliers also depend on the types of goods that are being sold by the trader.

The traders that are selling fruit and vegetables have specific suppliers from whom they obtain their goods on a regular basis. Most of these traders purchase their goods from the Clairwood market which is approximately ten kilometres away from the Bangladesh Market. "The Clairwood Fresh Produce Market is the

key link in the fresh produce distribution network in the Durban Metropolitan Area and the province as a whole. Fresh produce is sourced countrywide before being redistributed through various channels, including the 'informal' economy" (Witt, 2000:9). Traders complain that they have to go to Clairwood market very early in the morning in order to obtain the fresh produce direct from the farmers. If they are late, they have to purchase the goods through a secondary link which is more expensive. The suppliers and the supplies at the Clairwood market are reliable according to the traders.

Approximately 30% of the respondents stated that they obtain their goods direct from the farmers. These traders travel to farms as far as Camperdown and Richmond in order to purchase their goods. They prefer this method of obtaining their goods as it is cheaper, the produce is fresher and the supplier is more reliable. Only a few traders stated that they plant their own produce to sell. Approximately 20% of the respondents stated that they buy the goods from farmers within the Market. These stallholders sell smaller quantities of fruit and vegetables, where their profits are smaller. Farmers have been strategically selected to trade in the Market so that they can dictate and control the prices of fresh produce and the quality of products that are being sold there. In this way the other traders cannot exploit the customers of the Market. These farmers have been allocated between fifteen to twenty stalls in the Market. It was argued that the farmers maximize profits at the expense of consumers and other traders. However, their prices are still very competitive and it serves as a 'draw card' for consumers who are attracted to the Bangladesh Market from across the province.

Those traders selling other items such as cosmetics, clothing, crockery and plastic ware obtain their goods from an array of different suppliers. These traders seek the cheapest rate when purchasing their goods. Some of the outlets that were listed are factory shops and other smaller shops in and around the CBD. An interview with a trader selling chickens stated that he has fixed suppliers from

where he obtains his livestock. He travels great distances such as Mooi River, Howick and the South Coast which are almost 100 kilometre from the Market, to purchase his stock. Traders admit that while travel costs are high when purchasing goods from far places, buying large volumes at a cheaper price ensures a much higher profit.

#### **4.4.3. Traders and Crime**

Traders raised concern about crime in the Bangladesh Market. Approximately 60% of the traders stated that they were affected by some sort of criminal activity in the Market place. The rest of the traders mentioned that they did not experience any crime at all. However, there seem to be some common patterns with those traders that do experience crime. The stallholders who sell large volumes and bulky goods cannot commute with their goods on a daily basis and they therefore leave their goods that are not sold in the Market overnight. There are no proper storage facilities and a poor security system, hence goods are left open to theft.

Other criminal activities occurred during busy times when stalls are filled with people and this makes it difficult for the stallholder to manage the influx of customers and guard their stalls. This is when petty crime takes place. Some criminal incidents take place when goods are being loaded and off loaded from vehicles. One trader reported an incident of being hijacked just outside the Market square where his vehicle and some cash was taken. Although many traders were not affected by crime, 87% of the traders demanded some form of security. Some requested overnight security, while others opted for police presence and guards during the day.

#### **4.4.4. Concerns of Traders**

This section of the analysis highlights the problems and concerns that traders argue to be the most significant barriers that face them. It was recognised by all traders that the most important problem that they face is the absence of shelter. At the moment traders carry gazebos<sup>14</sup> and their own form of shelter to protect themselves and their goods. They argue that during inclement weather, the goods that they sell get damaged and also the weather poses a threat to their health. During times when it rains, traders use plastic to cover their goods. This creates major problems for traders because most of their goods are perishable. Presentation of goods is very important for traders to attract their customers, inclement weather gives the goods an unappealing look and traders argue that customers complain that goods are 'old stock' because of this.

Problems also deal with other infrastructural requirements. Many traders complain that the sizes of their stalls are very small. This prevents them from expanding their business by limiting them to sell a smaller variety of products and smaller volumes of each product. This phenomenon is more common for traders selling larger products like potatoes, onions and tomatoes. As noted above there are no storage facilities available for the traders. The majority of the traders complain that commuting their goods on a daily basis becomes costly and time consuming. Stallholders argue that they have limited space at home for storage purposes. Because of the lack of storage facilities, stallholders argue that they cannot buy goods in bulk at cheaper rates. Damage is also incurred when goods are transported on a regular basis.

The Market has only two toilets that are available to all its patrons. During busy times there is a queue to enter and this poses problems because many traders do not have the time to wait during trading hours. Due to a lack of space, the board has limited options for further construction.

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<sup>14</sup> An informal structure made of cloth or plastic that can be easily assembled and disassembled.

Approximately 40% of the traders complained that the passage way for their customers to walk and shop is too small. This creates congestion and hinders the flow during busy times.

When questioned about the satisfaction with goods that they are trading, there were mixed responses. Stallholders trading in goods such as brassware, clothing and cosmetics agree that they were comfortable however certain stallholders selling fresh produce expressed their discontent. They argued that apart from the weather damaging their goods, those goods that are not sold in that day either loses its value or become rotten. This is a total loss for these traders.

Those traders that fall within the Bangladesh Market Association complain that the pavement traders and car boot traders do not pay any rentals and are still allowed to trade outside the Market. They argue that this is unfair practice and an injustice to them because the traders outside the Market sell similar products and are in closer proximity to their customers. In this sense they lose customers to those traders outside of the Market. One stallholder commented that those traders outside of the Market are on a 'free ride' (Fresh Produce Trader, 8/11/03).

Car boot traders complained that they are constantly being harassed by police. Recently (October, 2003) city police served them with a notice of removal from the area. The council argues that the car boot traders are taking up place and are causing traffic congestions in the car park area. The car boot traders are considered illegal traders.

#### **4.4.5. Traders and their Interaction with "Officials"**

The officials (trustees) of the Market hold general meetings for the traders once every four months. At these meetings traders are given a chance to list all the problems, concerns and other issues that affect them in the Market. However, in

the interviews the general view amongst traders towards the Association was very despondent, stating that these meetings were futile and not fruitful. The traders argued that the issues that were tabled were not addressed and these were recurring issues that were subject to debate at every meeting. The common view amongst the stallholders is that the officials are not carrying out their jobs to their full potential. As commented by a few traders, "they just listen and make empty promises", another comment was that the "board is serving no purpose to the traders, it is just a formality" (Fresh Produce Traders, 15/11/03).

Stall-holders complained that council members only visited the Market during times of elections. Councillors pledged their support and promised developments but nothing has been done thus far. Ninety percent of the respondents state that they did not receive assistance from any of the councillors. Only a few car boot traders were assisted and represented by councillors during the time when the city council served them with a notice to evict the place. Many stallholders are now reluctant to vote in local level elections in the country.

There is a general feeling amongst the traders that a separate body is needed to represent them. They feel that a body such as a trade union will protect them from being exploited. It will also voice their concerns and address the problems that they face. This body is to be separate from the main Association. At the moment no steps are being taken to organise this body.

#### **4.4.6. Business Skills, Training and Financial Management**

Eighty percent of the respondents stated that training and skills are needed to help the stallholders manage their finances. Other respondents felt that they were sufficiently equipped with the knowledge and skills to manage their own business. Those that needed the training wanted specific training relating to the goods that they sold. Hence, two main issues were highlighted by the respondents. Firstly, there is a need for formal education since many people are

illiterate or have only attended primary school. Secondly, there is a need for the traders to be provided with business training skills. Traders want to address issues such as recording profit margins, marketing of products and customer relation services.

Respondents were asked if there was any money lending facilities or a banking system in place in the Market area for the traders. It was clearly stated by all traders, that there was no such support facility. Many traders complained that acquiring smaller change was a problem. They argued that customers withdrew their purchase offer because traders did not have enough change. A few traders suggested that there should be an informal system available where credit and change can be acquired at minimal rates to them, for example a micro lending company.

#### **4.4.7. Profitability of Trade and Traders Survival Strategies**

Responses of interviewees on the question of profits, varied depending on the type of goods that were sold. In Table 8, the average profits taken for each type of good that was traded is recorded. However, it must be noted that within each type of group profit margins varied. This variation was because certain stallholders traded larger volumes or higher order goods than other stallholders.

Table 8: Range of products together with their net profits and expenses

<b>Type of goods being traded</b>	<b>Profits per month</b>	<b>Expenses per month</b>
Chicken	R10 000- R14 000	R15 000- R20 000
Fresh Produce	R1 000- R5 000	R500- R3 000
Plastic Ware, Crockery and Toiletries	R2 000- R 4 000	R500- R2 000
Groceries and Cosmetics	R1 000- R4 000	R500- R 2 000

Chicken traders record very high levels of profit. However, their start-up capital and running expenses are also high per month (table 8). Profits in selling fresh produce ranges from one thousand to five thousand rands a month. This profit difference depends on the type of fresh produce that is being sold. As can be seen in Table 8 the expenses are much lower than that of chicken yet it yields a significant profit. For plastic ware, crockery and toiletries; the profit margins were also significant and the operational expenses for the month were fairly low. The groceries and cosmetics division are similar to the plastic ware division for both profit and expenses for the month. The major expenses for all categories include; commodities, vehicle maintenance, petrol/diesel, transport, labour and stall maintenance.

Certain stallholders argued that they were in a less lucrative position than other stallholders in terms of location. Those at the far end of the Market complained that customers shop at the front end because it is convenient and this resulted in them being less frequently supported.

#### **4.4.8. Trade, Regulation and Control**

Initially, each stallholder had to have a vendor's permit to trade. However, as time elapsed traders, together with the Association, thought that it was an inappropriate means of organising and controlling themselves. A meeting held with traders, community members and the Association led to the system that is currently in place. Now each of the legal stallholders in the Market pay a nominal fee of R10 a day and R20 a week to trade in the allocated space provided to them. The stallholder has to pay for both the days irrespective of whether he/she comes on both these days or not. According to the Association, these funds are utilised for the daily and monthly expenses needed to run the Market. The traders, however, feel that these funds are utilised for the Associations own benefits. In addition to the R20 a week, stallholders have the choice of either booking tables for their usage at a cost of R5 per table. All these costs are

payable by the legal traders in the Market. The pavement traders and the car boot traders do not incur any of these costs. The only formal permit that was acquired from the municipality was for those people selling chicken. They acquire a licence that is renewable every five years.

When asked the question about regulating informal traders, there was a surprising response from the respondents. Sixty percent of the respondents argued in favour of regulation. They gave various reasons as to why they think that this sector should be regulated and related it to their own experiences. The main reason given was that the illegal traders in the car park and the street traders should be moved out from their place. The traders of the Bangladesh Market Association felt threatened by the illegal traders. Another reason was that regulation would create a better infrastructure for them and thus address their main concern of having a shelter in the Market area. Traders also felt that regulation would distinguish and control the number of traders selling similar products, in this way people would not be over trading on any commodity.

The other 40% of respondents argued against regulation. The main reason given was that regulation would mean higher costs for themselves and since for many of them it is a survival strategy, it would force them out of the Market. Others felt that they would lose customers if the Market were to be regulated and formalised.

#### **4.5. FORMAL BUSINESSES**

Those formal or registered businesses that surround the Market area selling a similar variety of goods were selected. These formal businesses ranged from small retail shops to larger supermarkets and chain stores.

#### **4.5.1. Profile of Respondents**

The sample for the respondents included males and females. In some cases the owner of the shop was available to converse with the researcher and in other cases the manager or a representative from the shop was available. The size of the shops varied from selling just a few items of goods to a variety of commodities. Some of the items that were sold in these formal businesses were fruit and vegetables, groceries, food items, clothing, crockery, etc. These are the same goods that are being sold at the informal trading market. These formal businesses only developed after the Bangladesh Market came into being.

#### **4.5.2. Relationship between Informal and Formal Businesses**

Majority of the respondents from the formal sector commented that they have an amicable relationship with the informal stallholders. A strong issue that emanated from the formal businesses was that they are in existence because of the presence of the informal market. They maintain that their formal businesses would not operate if the informal market was not there. This was because the informal market is a key draw card to people from all over Chatsworth and other parts of Durban. During the weekdays the formal businesses are very quiet but they become busy during Friday and Saturday because the Market is open on these two days. Many respondents from the formal businesses said that there is a dualistic relationship between themselves and the informal traders. As stated by one formal trader (5/09/2003), "they buy food from my shop and I buy my fruit and vegetables from them." There is a supportive relationship between the two different sectors. There are also instances where informal traders bought from the formal shops and sold at the Market and vice versa.

A few respondents were against informal traders in the area. These respondents looked at informal traders as being a threat to their formal business. It was noted that the formal businesses selling fresh produce recorded greatest dissatisfaction

with informal traders. They complained that on the days that the Market is open, customers shop at the Market and desert their businesses. Another concern was that the informal traders keep pirate audio and visual recordings and they sell them at a much cheaper rate than their formal counterparts.

Many of the formal businesses argued that the informal traders should be regulated by becoming more formalised. They argued that the benefits of this would impact positively on all the formal businesses in the area. Regulation for them must address issues of hygiene, infrastructure and layout, the trading of similar commodities so that the informal traders do not sell the same products as them and lastly issues of congestion. Informal traders must therefore be governed by regulations that address these issues.

A few formal businesses felt that they are being disadvantaged in the sense that they pay large sums of rent and pay more for labour than the informal businesses. The large overhead costs are what make their prices higher. In many instances formal businesses complained that because of their slightly higher prices clientele went to the informal market.

#### **4.6. RESIDENTS AND THE BANGLADESH MARKET**

A representative sample of twenty seven residents around and adjacent to the Market was selected. The respondents included male and female from the ages of sixteen years and above.

##### **4.6.1. Residential support of the Informal Market**

Of the twenty seven respondents, only one person stated that they did not use the Market place to purchase goods. The other 26 respondents mentioned a variety of goods that was purchased from the Market on a weekly or monthly basis. The most common product that was bought was fresh produce followed by

clothing and then other items that were sold there. Most of the residents pointed out that they rely on the Market for the basic commodities that they require. The respondents also stressed that prices of commodities sold at the Bangladesh Market were more competitive when compared to other markets in Durban. Furthermore, the quality of goods was excellent, perishable goods were always fresh and availability was commendable. A senior community leader expressed great pleasure in shopping at the Market. He was positive about the location stating, "I enjoy my Friday afternoons here, and it's just down my street" (Customer, 14/11/03).

#### **4.6.2. Advantages of Informal Activities in the Area**

The most significant advantage that the residential community thought was the convenience of the proximity of the Market. More than 40% of the respondents that did not own motor vehicles did not have to take public transport to the Market, instead they just walked to the Market and back to purchase their goods. Another advantage was that the Market area offered a variety of goods that was fresh all the time which pleased the people in the area. The service offered by the traders was also commented on where people stated that they could bargain for goods that were purchased unlike in the formal shops. Residents thought that it was safe to shop at the Market during any part of the day. A few respondents saw the Market area as a mechanism to providing employment to the people in the area and thus keeping the youth off the streets. Youth also engaged in livelihood activities at the Market due to the suitable trading days and hours. School pupils earned a few rand each week by working as porters or 'carry-boys'. Many of them also admitted that the money earned by working at the stalls or being 'carry-boys' is used to pay school fees or complement the household income. This actually explains why the Bangladesh Market is very much a 'family' livelihood area as parents and children use the informal activity as a livelihood strategy.

It was interesting to note that 95% of the clientele who supported the Market also frequented shopping malls in and around Chatsworth. What was significant to note is that their main purpose is to compare prices of goods sold at the shopping centres, to that at the stalls in the Bangladesh Market. Notably, they prefer to return to the Market due to competitive and much cheaper prices.

#### **4.6.3. Disadvantages of Informal Activities in the Area**

Congestion in the parking area was seen as a major disadvantage. Residents complained that illegal traders occupied a lot of parking spaces that should have been for their use and this creates congestion during busy times. As a result of the congestion in the Market, there are traffic problems on the residential streets. The residents thought that the traders within the Market were congested. A serious disadvantage perceived by the residents was the unhealthy and unhygienic conditions in and around the Market area. They argued that the traders did not clean up at the end of the day and the area in the Market was very dirty and unsightly. This created a poor image of the area. Three respondents complained that certain traders were rude and harassed them by forcing them to purchase goods. Some respondents complained of the noise pollution in the area that resulted from the Market.

#### **4.6.4. Advantage or Disadvantage? A Viewpoint.**

An astonishing revelation by an educator of the neighbouring high school, Glenover Secondary School, who is also a resident in the area, was that market activity upset their academic agenda as absenteeism was greatest on a Friday. As a result they cannot set tests and exams on a Friday (Interview with Resident-Educator, 05/11/03). School pupils admit that their market activity was a source of income and going to work on a Friday was crucial to their survival. The communities living around the Bangladesh Market come from a low socio-economic background. Educators admit that they are aware of this and cannot

impose grave punishment or change these behaviour patterns, as it is a means of subsistence for this community. Educators also assert, whilst not condoning absenteeism, such skills and 'hands on' "business experiences are beneficial to most students as their academic results reveal that they are more inclined to pursue the entrepreneur route than an academic one" (Interviews with Educators, 05/11/03). It is the view of the Educators that the Market experience was crucial to education of the youth in the area as the Department of Education and Training in South Africa has devised a curriculum which is outcomes based, "the Market is actually a phenomenal concept for our learners" (Educator, 5/11/03). It exposes them to all kinds of business skills namely planning, organising, as well as accounting and control of financial resources, which are important life-skills.

#### **4.7. CLIENTELE**

The customers of the informal market were from different areas in Chatsworth and the surrounding Durban regions. Again, respondents included both male and female of the ages of twenty and above. The word clientele and customers are used interchangeably.

##### **4.7.1. Reasons for Shopping at the Bangladesh Market**

There were numerous reasons given for shopping at the Market. Firstly, people supported the Market on account of convenience. Some of the clients were people who worked in the area either in the schools, hospital or other retail stores. They purchased goods at the Market because it was on their way to work. Secondly, customers enjoyed the variety and freshness of goods that were available. One of the respondents commented that "it is a one-stop shop where you can get anything that you want in this one area (Clientele, 8/11/03)". The clientele also stated that the prices in the Market were very competitive compared to those in the formal shops around the area and in other areas as

well. Some shopped at the Market because of the warm atmosphere that was present.

#### **4.7.2. Issues of Concern and Suggestions from Clientele**

Parking was an issue for people coming with cars to the Market. Some patrons waited for more than twenty minutes to find an available parking space. During bad weather people found it very difficult to shop in the Market because there are no shelters. A few respondents found that the area where chickens are being sold to be dirty, smelly and unhygienic. Customers thought that traders should extend their trading days to include Sundays as well, so as to make it more convenient. This will reduce the congestion as customers will have longer trading hours. Informal interviews with car-guards reveal that guarding cars was their only income, and it was lucrative. They expressed that bad weather was not an issue "life is full of hardships, at least this helps me buy bread and milk for my family" (Car-guard, 01/11/03). "People need us to direct traffic because of congestion and female shoppers feel safe with us being around" (Car-guard, 1/11/03). It appears as though residents and clientele alike find the Market to be a very important part of their lives and economic activities.

Customers expressed discontent about the fact that goods purchased at the Market, for example clothing cannot be returned if unsuitable, neither do they receive a refund. Trader's response in defence of this was that, apart from being unhygienic to accept sold (possibly worn clothes), they could not guarantee that it was purchased there at the Market because "we do not sell a particular brand of clothes, so we are not sure whether it was purchased from us or a formal outlet" (Trader, 29/10/03). Traders buy goods wherever it is reasonable and as long as it allows them to make a profit from resale. They do not issue cash sale slips or receipts due to the informality of their trading activities.

#### **4.8. MARKET ACTIVITY, RESIDENTS AND THE ASSOCIATION**

The Market lies within a residential area flanked by shopping centres, a church, a crèche, a gym and other small business activities. Residents and other neighbours complain to the Association of the unhygienic conditions created by the vendors. The Market's immediate neighbours complain profusely about refuse being dumped onto their premises by inconsiderate untidy vendors. Neighbours say traders are negligent and will pursue their business activities at any costs. This is of concern and it is hoped that the formal structures as planned for the new market, will help mitigate such problems by better control mechanisms. The Association has to look at all these problems and find appropriate solutions.

#### **4.9. THE NEW "PROPOSED" MARKET**

Negotiation for the new market began around 1998. A qualified architect has drawn up the plans. The Chairman of the Bangladesh Association is pleased that plans for construction are in its advanced stage. However, now that Council has a contractual stake in the Market, they have proposed a massive structure with estimated cost of approximately R8 million. The Bangladesh Association objected to such a proposition stating that it will become too formalized and that a marketplace of such standard would mean that poor traders will have to pay more rentals which will disadvantage the smaller traders. This would eventually result in the withdrawal of many traders from the Market place, hence losing their means of income, as it has been indicated by these small traders, that this is the only source of income for many traders at the Market. Bangladesh Market Association then suggested a plan which they had approximated cost at about R2 million which will provide affordable basic trading facilities that meet the demands of the traders in the Market square. The Association is also prepared to go into a partnership with the Council in order to finance this project. At the moment negotiations are still taking place.

#### **4.10. CONCLUSION**

“The Market, situated behind the Westcliff Shopping Centre, has become popular with visitors and residents in the bustling suburb of Chatsworth where one could buy anything from vegetables to hairpins” (Post, 2003: 19). The Bangladesh Market has impacted on the lives of all those that came into contact with it, be it the customers, the residents or the formal businesses in the area. Tracing the history of the Market and looking at its progress through the years, it can be deduced that the Market has tremendous potential for future growth and development, not only for the Market but for all the stakeholders involved.

## **CHAPTER FIVE**

### **DISCUSSION, RECOMMENDATIONS AND CONCLUSION**

#### **5.1. INTRODUCTION**

The primary aim of this study attempts to understand the dynamics of informal trading in the Bangladesh Market, looking specifically at how the social, economic and political effects have advanced or not advanced the Market in becoming a powerful informal economy. Against this backdrop, the views and experiences of various role-players/stakeholders constitute the analysis in chapter four. This chapter presents an overview of the informal economy and some recommendations are made based on the analysis.

#### **5.2. DISCUSSION**

Bangladesh Market has proven to be a hub of social, economic and political activities. Whilst it has been informal from the inception, market dynamics has revealed that there is a remarkable inter-relationship between all different stakeholders in the sector. The research indicates that the Bangladesh Market impacts on lives of the residents, traders, consumers and neighbouring businesses. Each proving to contribute to the sustainability of the other in the long-term.

Although, the Bangladesh Market is a 'part-time' activity, which operates twice a week, it impacts on the lives of all involved for different reasons. Whilst the hypothesis of the study raises concerns about its aesthetic appeal, it is a concept that residents have adopted as part of their daily lives, highlighting positive impacts rather than negative. The benefit of the Market activities obscures the few problems it poses in the surrounding areas. It serves the needs of the residents who are of a low socio-economic background. Bangladesh Market is an important source of supply of goods that are in demand. These are made

available at the right price and quality which appeals to all its consumers from the vicinity and afar. Furthermore, the research undertaken focused primarily on the economic benefit of the Market to its immediate neighbours who include residents and surrounding businesses. It is the primary source of income for some of the traders and boosts the turnover of surrounding businesses by attracting of customers.

Although, a call for formalisation and more support for traders were identified, traders appear to be satisfied with such informal activity as their main source of income. They have an amicable relationship with one another and a symbiotic relationship with other stakeholders such as residents, traders, neighbouring businesses as well as other informal 'illegal' trade activities which have become survival mechanisms for those involved. However, policy and spatial planning of the area require some redress in order to address the concerns raised by the key respondents who are the traders. At the same time careful consideration and caution need to be exercised by policy-makers on the impact of revised policy and formalisation of activities as these may prove to counter-benefit those who rely on the income derived from engagement in the informal trading sector.

### **5.3. RECOMMENDATIONS**

In order to allow the informal economy to grow and develop and at the same time to improve the overall quality of the urban environment, the following recommendations are made.

These recommendations relate specifically to the informal trading market in Bangladesh.

- a) In order to address the most serious problem facing the traders, suitable shelter should be provided to all legal traders within the Bangladesh Market. This sheltered facility should be cost effective so that the traders

do not bear the brunt by paying high rentals in order to recover the costs. It was suggested by the Association that the proposed new market would result in an increase in rental tariffs for the traders.

- b) More space has to be provided in the Market allowing the car boot traders to trade within the legal trading area. In this way traffic congestion in the car park would be prevented. There is vacant space behind the Market which can be used for the car boot traders.
- c) The traders in the legal trading area, together with the pavement traders and the car boot traders, should form one united body where issues of concern are discussed and addressed. In this way they would form a stronger representative body empowering them to negotiate with the council regarding the problems facing them.
- d) The Bangladesh Market Association and the eThekweni Council must work jointly to eliminate the problem of pollution and unhygienic conditions in and around the Market. This was identified as a concern by the surrounding residents of the area.
- e) Proper security should be provided in the vicinity of the Market to create a safe and conducive environment for all its users.
- f) Since many people travel to the Market from all over Durban, reliable public transport arrangements must be made for the traders and the clientele. Currently, traders take two or often three taxis to the Market and the same to return home. These public transport arrangements should include where the pick up and drop of stops are and how often.
- g) It was evident from the interviews that the majority of the traders lacked the business skills and education to expand their business and make it

more profitable. Many of the traders indicated that they would be interested in attending a programme that will equip them with the knowledge and skills to become successful entrepreneurs, the Association should look at workshops and programmes that will fulfil this need for capacity building.

- h) Whilst the informal economy is recognised as a livelihood strategy for the poor, traders of the Bangladesh Market strongly appeal for territorial control of traders admitted to the Market. Traders are of the opinion that Bangladesh Market is the most viable market place in Durban. It attracts people from all over KwaZulu-Natal which restricts local people from access to income on their doorsteps. The Association therefore needs to address this problem by adopting stricter control measures that gives the locals preference over traders from other parts of KwaZulu-Natal, in the Market. As advocated in the literature, this will constitute local economic development by creating jobs and reducing poverty and crime in the vicinity.
- i) Since many of the clientele complained that the Market is open only for two days, the Association needs to look at the viability and profitability of the Market being open on at least two more days. On days in which the Market is not in operation, the Association can look at allowing other users to occupy the premises, like a flea market. In this way the area is always in use and more funds can be generated for developments in the Market.
- j) There should be a facility that provides specifically traders with credit and finance options so that they can expand their business and continue to operate during times of financial difficulties. The Association should take the responsibility of managing this facility.

- k) Meetings concerning issues affecting traders and the financial management of the Market need to be held more regularly at least bi-monthly so that traders are informed, and transparency and accountability is encouraged amongst all stakeholders. This is because traders are unclear about the financial management and audit activities of the Association. This hinders their trust and the need to cooperate with the Association thus preventing a healthy relationship.

The next three recommendations are broad based referring to the informal economy in general.

- l) Policies should aim to improve and enhance conditions in the informal sector. Policy issues should address gender inequalities and also produce a strategy to reduce gender oppression. Other important issues that need to be addressed are the lack of skills training, educational opportunities, adequate health care, business premises, credit and finance. All of these are of vital importance for the informal economy to function as a whole. In earlier discussions it was established that the lack of proper skills and adequate education formed the basis for people in the informal economy to be exploited. When providing these proper skills and education, appropriate technology should be introduced to facilitate the process. Technology can serve a dual purpose of enhancing the lives of those involved and also in boosting the economic performance of the informal sector.

Policies aimed at street trading should be inclusive and holistic. “The ultimate aim of street trading policy should be geared towards a process that sees street trading as an initial entry point into more substantial trading opportunities, where a series of incentives should be provided that will encourage successful street traders to move up the economic ladder”

(Witt, 2000: 56). Policy should also look at the provision or development of an institutional and physical structure to facilitate growth.

The government can therefore play a critical role in implementing its' policies. The overall position taken by the government should be a promotional initiative towards the informal sector. When formulating development policies, the government should seek the advice and inputs from the private sector as well as from the various NGO's concerned. In this way a more integrated approach can be established. This integrated approach should form links with other government sectors such as tourism, trade and environmental issues. If this can be achieved then we will have a much more coherent policy framework to work with. The government can also provide incentives and motivational programmes to ensure the full participation of individuals especially the women and the youth.

- m) The words gender, poverty and discrimination are synonymous with the informal economy. There should be specific policies and programmes that address gender inequality in the informal economy. These policies should include providing training, skills and education to those women entering and already in the informal economy.
- n) At the moment official statistics on the informal economy are unclear. Further research needs to undertaken, this will generate critical information that will eventually guide policy.

#### **5.4. CONCLUSION**

The research identifies that high priority should be given to formulate a coherent policy framework within which the informal sector can be developed. Informal traders require co-operative relationships with the state, private sector and civil

society which impacts on each other. In addition, a more integrated approach should be taken where there would be greater participation of individuals especially the women and youth who should be involved in the planning, decision making, implementation and evaluation of the entire process, since the findings from the research reveal that women and youth form the major constituents of the informal economy. The informal sector has become an integral part of the social and economic structures in society. It is also being realized that the future of the informal sector is extremely important in order for growth and development of a country to occur.

The informal traders in the Bangladesh Market share similar concerns and problems that street traders in other parts of the country and the world experience. However, as have been mentioned earlier, policies have to recognize the diversity of street traders in this area and the contexts in which they are operating. Drawing from the analysis, it can be said that the regulation of the informal sector would lead to its demise whereby it will force most of the traders out of the system.

The Bangladesh Market can be seen as a typical example where an informal economy has thrived and grown in its natural existence. The future success of trading in the Bangladesh Market will depend on creating an enabling and supportive environment in which traders can develop their businesses so as to work in harmony with the rest of the community. This is a challenge that planners and policy makers face in the era of development in the twenty first century.

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# APPENDICES

## Appendix 1

### Questionnaire for Street Traders

1. What type of good/s are you trading?

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2. Is it your own stall or are you running it for someone else?

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3. If it is not your own stall, who are you running it for?

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4. Why did you decide to locate yourself here?

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5. Are you comfortable with your surrounding in terms of congestion and access to your customers?

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6. Can you explain why you are comfortable or not?

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7. A. Is your business affected by crime?

Yes		No	
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7. B. If yes what criminal experience/s did you have?

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8. What forms of security you think is needed at this centre when you are trading?

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9. How long have you been in this informal trading business?

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10. Where do you get your supply of goods from and how often?

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11. Are your suppliers reliable?

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12. Are you satisfied with trading in this type of good/s and why?

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13. Where do you store your stock?

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14. Do you have problems with storage, if yes what are they?

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15. Did you receive assistance from any of the councilors?

Yes		No	
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16. If so, what assistance did you receive?

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17. Can you manage on your own or do you need help from the Board?

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18. Do you feel that you need a body to represent you so as to help you grow and develop?

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19. Do you feel that there is a need for traders to be provided with necessary training and skills so that they can work better and make more profit?

Yes		No	
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20. Explain further?

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21. What money lending facilities are available?

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22. Did you take a loan to start the business?

Yes		No	
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23. Where you formally employed before this?

Yes		No	
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24. If yes, where were you employed and what happened?

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25. How often do you trade here?

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26. About how many hours does it take you to prepare for trading here?

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27. What does it involve to prepare for trading?

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28. How are the working conditions here?

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29. Is this your only source of income?

Yes		No	
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30. If no what are your other sources of income?

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31. How many dependants do you have?

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32. How profitable is it to be in this type of business?

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33. What were your last month's average monthly expenses?

Under 100		100-499		500-999		1000-1999		Over 2000	
--------------	--	---------	--	---------	--	-----------	--	--------------	--

34. Are these the normal monthly expenses?

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34. What were the expenses for last month spent on?

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35. What is the average monthly income generated?

100- 999		1000-1999		2000-2999		3000-3999		4000- 4999		Over 5000	
----------	--	-----------	--	-----------	--	-----------	--	------------	--	--------------	--

36. Do you need a permit to trade here?

Yes		No	
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37. Explain?

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38. How do you feel about regulations on informal traders?

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39. Have you been approached by the authorities, if yes in relation to what?

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39. If you have a problem whom do you go to?

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40. What could be done to make it easier for the traders?

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41. Who should take this responsibility?

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42. Age

Under 16		16-18		19-25		26-35		36-45		45-55		Over 55	
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43. Gender

Male		Female	
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44. What is the highest standard passed?

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## **Appendix 2**

### **Questionnaire for Residents**

Interview notes: Respondent number: Date: Location:
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1. What is your relationship to the head of the household?

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2. How do you feel about the informal trading activities that are being practiced in the area?

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3. Do you use the informal trading market?

Yes	<input type="checkbox"/>	No	<input type="checkbox"/>
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4. If yes, what do you buy?

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5. Where else do you shop, why?

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6. Do you see any advantages of the informal market located in the area?

Yes	<input type="checkbox"/>	No	<input type="checkbox"/>
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7. Can you explain what are the advantages or disadvantages of the informal market in this area?

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9. What kind of problems do you experience with the informal traders?

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10. Are you experiencing problems with the informal trading market in terms of

Traffic congestion		Noise pollution		Air pollution		Attracting criminals		Dirty/unpleasant environment		Other	
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11. Age

Under 16		16-18		19-25		26-35		36-45		45-60		Over 60	
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12. Gender

Male		Female	
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## **Appendix 3**

### **Questionnaire for Formal Business**

Interview notes: Respondent number: Date: Location:
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1. What type of business do you have?

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2. How long have you been operating here?

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3. Why did you decide to locate here?

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4. What is the relationship between yourself and the informal traders?

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5. Does the informal market affect your business, if yes how?

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6. Do you feel that these informal businesses should be more regulated, If yes why?

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## **Appendix 4**

### **Questionnaire for Clientele/Customers**

1. Where do you live?

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2. Why do you shop here?

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3. What time of day do you usually shop here?

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4. How often do you shop here?

Daily		Weekly		Monthly		Less often	
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5. What did you buy today?

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6. Is it convenient for you to come and get goods and services in this informal market?

Yes		No	
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7. Explain why it is convenient or inconvenient?

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7. Are the prices better here?

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8. How do you feel about the range of goods that are available in this market?

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10. Can you explain the type of service provided to you by the traders?

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11. Why are you comfortable or uncomfortable shopping here?

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12. What could be improved?

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**Appendix 5**

**Questionnaire for Informal Traders Board**

1. What is your role/position on the board?

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2. How does the board operate (technical)?

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3. What is the function of the board?

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4. What is the long term goal and vision of the board?

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5.1. Who administers the operation of the market and how often?

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5.2. What does this entail?

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6. Is there a lack of resources here, if yes what resources are needed?

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7. To what extent do the informal traders comply with the rules and regulations of the board?

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8. Are there any complaints from residents or the formal businesses? If yes what are they?

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9. What is being done in response to these problems?

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10. What are some of the main issues that the traders complain about?

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11. What is being done about this?

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12. Are there specific times allocated for trading?

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13. What linkages are there between the road traders and the car park traders with that of the association?

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14. Is there a new complex going to be built for the street traders?

Yes	<input type="checkbox"/>	No	<input type="checkbox"/>
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14.1. If yes, where is the new complex going to be built?

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14.1. How is the complex going to be funded?

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14.3. What will this mean for the street traders?

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14.4. When will this complex be completed?

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